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PROCEEDINGS

OF THE

CONFERENCE OF STATE MINISTERS OF CO-OPERATION MYSORE

28th and 29th JULY 1959

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MINISTRY OF COMMUNITY DEVELOPMENT & CO-OPERATION
(DEPARTMENT OF CO-OPERATION)
GOVERNMENT OF INDIA

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PROCEEDINGS

OF THE

CONFERENCE OF STATE MINISTERS OF CO-OPERATION

MYSORE

28th and 29th JULY 1959

OFFICE OF THE PRINCIPAL, RURAL EXTENSION TRAINING CENTRE
18 APR 1961
ADUTHURAI

MINISTRY OF COMMUNITY DEVELOPMENT & CO-OPERATION
(DEPARTMENT OF CO-OPERATION)
GOVERNMENT OF INDIA

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PROCEEDINGS OF THE CONFERENCE OF THE STATE MINISTERS OF COOPERATION HELD ON THE 28TH AND 29TH JULY 1959, AT MYSORE CITY.

Shri S. K. Dey, Union Minister for Community Development and Cooperation, inaugurating the Conference of State Ministers of Cooperation welcomed the State Ministers, representatives of various cooperative and other organisations and individual invitees and thanked them for coming to Mysore. Shri Dey mentioned that unfortunately it was not possible for the Prime Minister who takes considerable interest in the development of cooperation, to be present. The Prime Minister had however sent a message which he read out.

Message from the Prime Minister

"I am sorry that I cannot attend the conference of the State Ministers of Cooperation to be held in Mysore. For a variety of reasons, there has been a great deal of argument about cooperation in recent months. Much of this argument has not been very helpful and has had too much of a polemical and argumentative bent. In particular, the question of joint or cooperative farming appears to have exercised the minds of some people, even though that is not the first issue before us today.

Some people are under the mistaken impression that the stress that is being laid now on village cooperatives and on cooperative farming is something entirely new; that it is a departure from previous policy. This misapprehension can only be due to their lack of knowledge as to what has been taking place during the past few years.

The whole approach of cooperation has been inherent in the National Congress for a generation or more past. Indeed, the objective of the Congress was laid down long ago to build up a cooperative commonwealth in India. Opinions may perhaps differ as to the content of that cooperative commonwealth. Gandhiji spoke and wrote often about cooperation in the village and even about cooperative farming. In more recent times, Vinobaji has done the same.

But, apart from general speeches and writings, the Congress policy in regard to cooperation and cooperative farming was laid down in the Congress election manifestos of 1945, 1951 and 1957. (Extracts from these manifestos are attached to this paper). It is the right of every individual to agree or disagree with this policy, but the point to be kept in mind is that it is not a new policy suddenly thrust upon the country. It is almost as old as the Congress under Gandhiji and it is something which was placed before the electorate on three occasions at the time of the general elections. It is surprising that people's memories should be so short as to forget this.

Our immediate task is to have service cooperatives all over the villages in India. I do hope that progressively this will lead in the

future to cooperative farming. But that is the next step. It must be remembered that the essence of cooperation is its voluntary character. There can be no imposed cooperation.

I have been laying stress on the basic necessity of training for cooperatives. All the enthusiasm in the world will not be enough unless we have trained personnel to run our cooperative societies. That training has not only to be high-level training but should include some kind of limited training even for the Panches and Sarpanches.

There is a good deal of talk about resources available for credit. Naturally this is important. But I find that even the resources that were available in the past have not been fully utilised. I do not think there will be any real shortage of resources for this purpose. What is necessary today is a proper and administrative apparatus. If this apparatus and trained personnel are available, I have no doubt that the resources will be there.

There has been a tendency, and no doubt this will be repeated, for bogus cooperatives to grow up, or of bogus individuals to exploit the name of cooperative. This will have to be guarded against.

I hope that the Conference will concentrate on some of the major issues and lay down a firm foundation of future work.

(Sd.) JAWAHARLAL NEHRU",

New Delhi,

July 23, 1959.

EXTRACT FROM CONGRESS ELECTION MANIFESTO OF 1945.

"The reform of the land system which is so urgently needed in India involves the removal of intermediaries between the peasant and the State. The rights of such intermediaries should, therefore, be acquired on payment of equitable compensation. While individualist farming or peasant proprietorship should continue, progressive agriculture as well as the creation of new social values and incentives require some system of cooperative farming suited to Indian conditions. Any such change can, however, be made only with the goodwill and agreement of the peasantry concerned. It is desirable, therefore, that experimental cooperative farms should be organised with State help in various parts of India. There should also be large State farms for demonstrative and experimental purposes."

EXTRACT FROM CONGRESS ELECTION MANIFESTO OF 1951.

"Increased agricultural production is absolutely essential for putting our national economy on a firm basis. Small and uneconomic holdings stand in the way of rapid advance in agricultural production. The line of advance should therefore be co-operative farming with the objective of making the whole or a substantial part of a village, a unit of cooperative management."

Extract from Congress Election Manifesto of 1957.

"On the land, all intermediaries must be progressively removed, so that land is owned by the cultivator himself. The principle of ceilings on land has been accepted and should be progressively introduced, so as to bring about a better distribution of land. Mechanised agriculture may be useful in some areas, but, in view of the man-power available and often not fully used, it is desirable to encourage intensified methods of cultivation on a cooperative basis. It is of the highest importance from every point of view that production should increase. This is the surest way of adding to the country's resources and of combating inflation."

Shri Dey regretted that the Conference of State Ministers of Cooperation which was scheduled to take place in March, 1959, had to be postponed on account of his illness and as a result it was not possible to consult the State Ministers of Cooperation on various questions concerning cooperation which were to be considered by the N.D.C. in its meeting, early in April 1959. The Chief Ministers of States, however, were present in the meeting of the N.D.C. and had expressed their views on some of the important points under consideration. In future he would try and consult State Ministers of Cooperation on all important questions before final decisions were taken.

The broad indications of cooperative policy on the basis of the N.D.C. Resolution on the subject were communicated to State Governments with the Department of Cooperation letter of the 11th May 1959. Detailed notes on some of the important points arising out of these policy decisions and on some other matters connected with cooperation were on the Agenda of the Development Commissioners' Conference (Appendix 'A'). They had been discussed in Sub-Committees and in the plenary session and the reports of the Sub-Committees as adopted by the plenary session were being placed before the State Ministers for their consideration (Appendix 'B').

The Conference may discuss the Agenda taking into consideration the agenda notes and the recommendations of the plenary session.

Shri Dey considered that if the agricultural programme of the country was to make a substantial impact and yield progressively higher dividends every year it was essential that every family in the village was brought within the orbit of the cooperative programme. Every family should be eligible to join a cooperative society and should be provided with the credit required to implement its production plan. It was only in this manner that agricultural production could be substantially increased. Mere expansion of credit by pumping Government or Reserve Bank funds would not serve the purpose. There is a serious danger that such increased resources would often be utilised by the wealthy few for their personal benefit. He had known of cases where large loans had been taken from cooperative societies by well-to-do persons who then lent the money to the weaker sections of the population at exorbitant rates of interest. Shri Dey mentioned that although there had

been considerable increase in the amount of credit provided, agricultural production had not increased very substantially. By and large, people without land or other assets were still unable to secure any loans at all or only got very small amounts.

Recalling the various phases of cooperative policy during the last few years, Shri Dey observed that the Second Five Year Plan envisaged the setting up of about 10,000 large-sized societies each covering four, five or more villages. It was expected that these societies would cover about 50,000 villages by the end of the Second Plan but in fact about 75,000 villages had already been covered by about 6,300 large-sized societies which had been organised so far. The large-sized societies which had come into existence should continue and should be assisted to develop on sound lines. There was no intention to break them up. The policy, however, was not to organise large-sized societies of this model for the present. Future expansion should be in the direction of village cooperatives normally covering a population of about 1,000. The tentative targets and the time schedule for the execution of this programme had been drawn up for the consideration of the Conference.

The village cooperatives envisaged were commonly known as service cooperatives. Their main functions were the formulation and implementation of plans of agricultural production, provision of credit for production according to the requirements and not based on land or other assets of the borrower, the provision of supplies and services required and arranging the marketing of agricultural produce through cooperative marketing societies. Service cooperatives should in the immediate future concentrate on these functions and only when they had established themselves should they take up other additional functions.

Shri Dey referred to the proposed pilot project covering about 4,000 villages. The pilot project had been discussed with some States and would be discussed further in the Conference. Technical and administrative assistance required for implementing the pilot project should be made available in adequate measure.

The question of providing adequate finance for the larger membership envisaged and the expanded cooperative programme was a complicated one and Shri Dey suggested the appointment of an Expert Committee to go into the whole question and make recommendations to Government which would be examined in consultation with State Governments before final decisions are taken.

Shri Dey stressed the need for strengthening the Cooperative Departments in the States at all levels. In many States, the Departments were inadequately staffed and required to be augmented on a large scale. Shri Dey made pointed reference to the position of the Registrar of Cooperative Societies in the States. In his opinion it was essential that the Registrar should be an officer with aptitude for the work required of him. He must be energetic, competent and adequately trained in the work. It was also necessary that he should remain in the post for a fairly long period. At present the position in this respect in most States was extremely unsatisfactory. In many States the Registrar's post was regarded as a bus stop where senior officers marking time for a higher post waited for a short-time.

Shri Dey laid considerable importance on the training of non-officials at all levels and informed the Conference that steps were being taken to increase the number of training parties in the districts. As regards the education of members of cooperative societies, this should be done not only through the training parties but also through village camps run on the lines of the Gram Sahayak Training Camps.

Shri Dey felt very concerned about maladministration and inefficiency in the cooperative movement. He felt that the record of the cooperative movement in this respect was extremely unsatisfactory and that cooperative organisations could be divided almost equally between the laudatory and the deplorable. It was, therefore, necessary to take strong action against the corrupt and the inefficient but side by side it was also essential to provide incentives for good work by individuals and societies.

Shri Dey mentioned the perplexing situation of higher prices prevailing in the country in spite of a bumper crop. In his opinion agricultural production plans for every family, adequate credit facilities for implementing these plans, cooperative processing and marketing and State-trading in foodgrains constituted a chain which alone could combat the activities of the saboteur operating in private trade.

Touching briefly on the subject of cooperative farming which was at present under examination by a Working Group, Shri Dey referred to the present spate of criticism in the country. It is amazing that in spite of repeated elucidation by the Prime Minister that service cooperatives were the immediate objective of Government and that cooperative farming on a voluntary basis was to be tried out on an experimental scale, the opposition to cooperative farming did not cease. Shri Dey attributed this to a combination of persons whom he called champions of yesterday. These were the big landlords, influential jagirdars and a few honest individuals kept under emotional duress by these reactionaries. Shri Dey referred to the pattern of existing ownership of land in the country and mentioned that a little over 1/5th of the population possessed no land at all, a quarter owned less than one acre per family while 1 per cent of the population held 20 per cent of the total cultivable land. The influential section of the population had succeeded in defeating land legislation to a great extent. The big land owners were anxious to see that the marginal land-holders and the agricultural labourers did not prosper through cooperative farming, cooperative processing and other industries so that sweated labour would be available to them. In support of this view, he quoted a few concrete instances that had come to his notice. Government's decision to expand the cooperative movement, according to Shri Dey, had helped precipitate the demarcation of the champions of "yesterday" from the champions of "tomorrow" and he hoped that in between the two those who were working in the field "today" will be able to carry on their work.

Shri Dey hoped that the Conference in dealing with the Agenda before it give clear indications of the policy that should be followed. He assured the State Ministers for Cooperation and non-official cooperators that he would make every effort to consult them in regard to all important matters of cooperative policy.

SUMMARY RECORD OF THE DISCUSSIONS AT THE CONFERENCE OF STATE MINISTERS OF COOPERATION HELD AT MYSORE ON THE 28TH AND 29TH OF JULY, 1959.

ITEM No. I (*a*)

Functions of the Service Cooperatives

The Minister for Cooperation, Uttar Pradesh, raised certain queries regarding the precise position of artisans *vis-a-vis* service cooperatives. In particular, he desired to know whether an artisan who happened to be a part-time cultivator would have to join the village service cooperative as well as a separate functional co-operative. He also asked whether the All India Boards dealing with various village and small industries would consider a service co-operative, of which the artisans are members, eligible for assistance from these Boards.

The Union Minister for Cooperation observed that artisans had special problems in relation to provision of raw material, marketing of finished products, improvement of techniques, etc., and therefore, it would be advisable to organise them into separate functional cooperatives. He also observed that the village co-operatives would be fully occupied with functions related to agricultural production and may not be able to help the artisans adequately.

The Minister for Cooperation, Punjab, desired that distribution of consumer goods, *e.g.*, sugar, kerosene and of the agricultural quota of iron and steel should be entrusted to service cooperatives.

The Minister for Cooperation, Orissa, suggested that provision of long-term loans should also be a function of the village cooperative. He was of the opinion that creation of too many functional societies would lead to difficulty in getting managerial and other personnel in adequate numbers.

Prof. Karve, intervening in the discussion observed that as a principle, village cooperatives undertaking the function of credit should not go in for business involving trading and other risks. As regards artisans, he expressed the view that, in their capacity as consumers, they could find a place in the village multi-purpose society, even if for other purposes, such as provision of raw materials and marketing of finished products, they were members of separate industrial societies. He observed that there was no inconsistency between the concept of universal membership and the organisation of separate functional societies.

There may be no objection to village cooperatives taking up special activities provided separate accounts of members interested in those activities could be maintained and other members did not in any way incur any liabilities in respect of such special activities. In actual practice, however, this may not be possible as village co-operatives were not likely to have full-time trained staff for this complicated work of accounts, etc. He would, therefore, advise

against village cooperatives going in for risk-bearing special activities.

The Union Minister for Cooperation said that, in the ultimate analysis, the functions of a village cooperative would depend on the kind of leadership available to the society.

The Minister for Cooperation, Assam, observed that in the context of the functions of service cooperatives, agriculture should be deemed to include animal husbandry.

As regards the question whether a village cooperative having artisans as members would be eligible for aid from the Khadi and Village Industries Commission, Shri V. L. Mehta stated that it was necessary for the Commission to ensure that the financial assistance made available by it was utilised for the purpose for which it was given. Hence, if a society could maintain separate accounts and thereby satisfy the Commission about the proper utilisation of the aid, he saw no objection to the village cooperative being recognised for the purpose. He however felt that, ordinarily, it would be desirable to have separate industry-wise societies for artisans.

The Minister for Co-operation, Assam, stated that his State proposed to organise village cooperatives covering a population of about 2,500. In Assam the Panchayats covered an average population of 2,500 and it was, therefore, necessary to permit Assam to depart from the pattern laid down in the N.D.C. Resolution. One or two other Ministers also argued that there should be no rigidity and that States should be free to make such changes as they considered necessary.

The Union Minister for Cooperation explained that there was no rigidity of approach and that State Governments were free to make small adjustments according to local conditions in the population covered by a society. This, however, did not mean that societies covering as large a population as 2,500 should be organised. For certain backward and other areas a provision for credit unions covering a large population had been made. In the case of big villages they could have only one society irrespective of the population of the village.

Recommendations

The Conference approved of the recommendations made by the Development Commissioners' Conference on this subject with the following modifications :

(*i*) Every village cooperative should take up the minimum functions as mentioned in the note, but could take up additional functions if the society so desired and was in a position to carry them out successfully.

(*ii*) The size of the society should be as provided in the N.D.C. Resolution, but State Governments, according to local conditions, could make small adjustments.

ITEM No. I(*b*) (1)

Making membership of village cooperative universal

The Deputy Minister for Cooperation, West Bengal, dealing with the recommendations of the Sub-Committee, expressed the view that

while in the case of a marketing society, membership of the village cooperative need not be made obligatory, in the case of a Land Mortgage Bank, such a condition should be imposed.

The Minister for Cooperation, Bombay, expressed the view that universal membership would be of little use unless all the members could be given the loans they required for production. If they are not given the loans, the movement would become unpopular. This aspect must, therefore, be considered carefully before going ahead with enrolment of new members on a large scale.

Intervening in the discussion, Prof. Karve expressed the view that the present need was not so much universal membership as open membership. In other words those who seek membership of a village cooperative should be enabled to get admission and for this purpose the relevant law and the practice should be revised.

Shri B. P. Patel, Managing Director, State Bank of India, expressed the view that there should be no such compulsion regarding membership of the village cooperative. The village cooperatives should offer their services in various forms in such a manner that the non-members are attracted to them.

Minister for Cooperation, Assam, was in favour of the suggestion that membership of a village cooperative should be a condition precedent to membership of a marketing society or a land mortgage bank. As regards universal membership, he was of the opinion that no State-trading would be possible without it.

Shri Rajagopala Naidu, M.P., was not in favour of any compulsion regarding membership of the village cooperative.

Shri Saraiya agreed with Shri Naidu. Shri Saraiya also spoke against cooperative institutions being given monopolies for the distribution of food and essential articles.

Shri Bhide pointed out that this and other proposals made in this connection were to be implemented only over a period of time and State Governments and cooperative organisations were to lay down a phased programme for that purpose.

Recommendation

The consensus of opinion was in favour of the proposals made by the Development Commissioners' Conference.

ITEM No. I(*b*) (2)

Arrangement necessary for ensuring that all members whether they own property or not are able to secure loans on the basis of their production programme.

This was discussed incidentally along with certain other items, such as universal membership and adequacy of resources.

This point was also covered in the discussion on items I(*c*) and III.

Recommendation

The consensus of opinion was that loans should be given on the basis of production requirements and repaying capacity and ownership of land should not be given undue weight.

Item No. I(c)

Provision of adequate finance for members of cooperative societies; and

Item No. III

Pilot Projects for expansion of cooperative credit

These items were discussed together.

The Minister for Cooperation, Bombay, initiating the discussion pointed out that the question of adequacy of resources was the crux of the whole matter. He drew attention to certain statistics relating to the all-India and Bombay figures in respect of Cooperative credit. In 1957-58 the all-India average of loan per member was Rs. 94 as against the Bombay average of Rs. 205. In his opinion, an evolutionary process would not suffice and revolutionary action was called for if cooperative credit was to be provided to fully finance the agricultural production programme that was envisaged. What was vital was the need for augmenting resources—a matter on which the Working Group on Cooperative Policy made no recommendations. In his opinion, if normal banking practices are to be followed, the production programme would not be implemented.

Shri Bhide intervened and explained that the Working Group which consisted of persons who had other full-time duties did examine this question but could not go into it in detail for lack of time. The Group realised the importance of this problem and recommended separate examination by the Government of India, State Governments, the Reserve Bank of India and others concerned.

As regards the pilot project, the Minister for Cooperation, Bombay, observed that it was neither a pilot nor a project. He referred to the paddy pilot scheme in certain parts of Bombay State, and pointed out that under that scheme the paddy production programme had been satisfactorily implemented in selected areas. The State Government had offered certain limited guarantees on the basis of which the central banks had financed the scheme. The scheme was in operation in a limited area and so the banks were able to find the necessary resources. If the scheme were to be extended to other areas, they would not be able to do so without assistance from Government and the Reserve Bank of India.

The Minister for Cooperation, Orissa, emphasised the need for State participation in the share capital of village cooperatives as in the case of grain golas in Orissa. He was of the opinion that such participation would create the necessary public confidence and thereby enable cooperatives to mobilise local deposits on a large scale.

At this stage, Shri Shriman Narayan read out a note recorded by him on the essential features of village production plans. The note is reproduced at appendix 'C'.

Shri Trivedi said that those States which had gone ahead with arrangements for pilot projects should proceed on the lines indicated by Shri Shriman Narayan. He was anxious that other States, *i.e.*, those which had not taken any action, should not stand still. He

suggested that these States should initiate immediately preparatory steps such as selection of blocks, villages, and preparation of agricultural production plans.

The Governor of Reserve Bank pointed out that the Reserve Bank operated under an Act of Parliament. One of its principal responsibilities is to ensure the monetary stability of the country. He drew attention to the fact that the price level had gone up from 100 in 1939 to about 300 in 1947 and 450 at present and a further rise must be avoided in the interest of the stability of the country's economy.

He pointed out that one of the statutory functions of the Reserve Bank was to advise the Central Government on problems connected with rural credit, something which in the recent past seemed to have been forgotten. The Reserve Bank on its own initiative and without any directive from the Central Government, had been steadily expanding its operations. In 1946-47, the total loan advances of the Bank were as low as Rs. 6.65 lakhs; in 1958-59 they stood at Rs. 65.43 crores. The Reserve Bank had initiated the rural credit survey, one of the most magnificent pieces of statistical and analytical work ever carried out. The Reserve Bank had also been making periodic inspections of various central and apex banks. It had also started undertaking field investigations and taken up the training of co-operative personnel. The Governor pointed out that, in several States, the overdues were showing an upward tendency and the latest figures in respect of certain States were very high indeed.

The sum of Rs. 65 crores mentioned for 1958-59 related to cash credit limits utilised. The actual amount advanced by the Reserve Bank was of the order of Rs. 79 crores as many central banks borrowed and repaid more than once a year. He felt that if the cooperative movement could be developed on the lines previously accepted, the target of Rs. 150 crores of short-term credit set for the Second Plan could perhaps have been reached, but with the change in policy he doubted if it could now be done. The expansion of credit had to be based on cold calculations of what the co-operative movement was capable of absorbing. In this connection the Governor drew attention to Sir Malcolm Darling's Report regarding the position of overdues. While the method of calculating overdues differed from State to State there was no doubt that the position was disturbing in many States.

While the Governor did not want, in the present context, to enter into the controversy regarding large-sized societies, he felt that if the programme relating to such societies had been adhered to, the Reserve Bank would have progressively increased the volume of rural credit. The Reserve Bank would have to study the new cooperative policy and see how far it could go. The assurance given by the Deputy Chairman of the Planning Commission that large-sized societies were not anathema to Government was welcomed by him. The important point from the Bank's point of view was that advances must be repaid in time. Nothing would damage the Reserve Bank's reputation more than its carrying on its books a load of large overdues from cooperative banks.

If there is a production programme and if the necessary link with marketing is established the credit-worthiness of the village as

a whole will increase. How far the credit limits of individual cooperatives can under such circumstances be increased will have to be considered by the central cooperative banks. The Governor of Reserve Bank saw no objection to Cooperative Banks considering a request for enhancement of credit limits favourably provided there is a genuine production programme and effective linking of credit with marketing.

The Governor explained that the main consideration was the repaying capacity of the individual and he was glad that this point had been recognised in the agenda note for the conference. The credit rating of an individual may certainly go up as a result of his having a proper production programme and proper arrangements for supply and services being made but what was really important was whether he could repay the loan from his production. He was sure that the Planning Commission would not like the monetary policy of the country to be jeopardised merely because every person in the village must be a member of the cooperative society and every person who was a member must automatically get a loan.

The pilot project as defined in the Government of India's letter of the 16th May, 1959, seemed to contemplate two different lines of credit. It appeared from the discussions, however, that that was not the intention. It also was now made clear that those who had no repaying capacity were not to be given loans. If that is the position and the society was free to decide on the merits of each individual how much loan he is to be given, there would be no need for a guarantee from Government.

Finally, the Governor pointed out that some States were inclined to give guarantees to the Reserve Bank in rather a light-hearted manner and that the Reserve Bank would not accept them without going carefully into the merits of the case.

The Deputy Chairman, Planning Commission, drew attention to para 35 of his address to the Annual Conference on Community Development where he had observed that "nothing should be done which would detract from the character of the cooperative movement as a business movement or affect its solvency in any way, nor should the Reserve Bank give assistance to societies which cannot be justified on sound banking principles".

The Minister for Cooperation, Uttar Pradesh, at this stage suggested that the sum of Rs. 8 crores proposed to be given as supplementary line of credit under the pilot project could be more profitably used for participation in the share capital of central and apex banks as this would enable the banking structure to obtain more money from the Reserve Bank.

Shri Venkatappiah asked if in the light of the discussions the pilot project was to be withdrawn.

The Union Minister, in summing up the discussions said that as a result of the production programmes that it is now intended to prepare and pursue, the credit-worthiness of cooperatives and their members would increase and the central banks should sympathetically consider the question of making increased amounts available to them. He also emphasised that there will be only one line of

credit and that the Government of India's letter of the 16th May will be revised in the light of the discussions at the Conference. The State Governments should, however, go ahead with the selection of villages for the pilot project and the preparation of production plans. Minister, Cooperation, Orissa, pointed out that they had gone ahead and had decided to appoint some additional staff. The Union Minister explained that Orissa could go ahead with the scheme but there would be no commitment of Central assistance in the form of grants or guarantees. This question will be discussed with the Reserve Bank with a view to making larger funds available to Central Banks.

The suggestion for appointing an expert committee for examining the question of reviewing the existing credit limits of cooperative institutions in the context of provision of adequate credit for plans of agricultural production of villages was accepted by the Conference. The draft terms of reference were placed before the Conference and approved with the addition that the question of State participation in share capital of primary societies should also be examined by the Committee. The draft terms are reproduced at appendix 'D'. It was agreed that the State Ministers for Cooperation would be consulted before final decisions on the recommendations of the Expert Committee are taken.

Recommendations

(1) The pilot project should be amended on the lines indicated above.

(2) An expert committee should be appointed with terms of reference as at appendix 'D'.

ITEM No. I (*d*)

Strengthening of Cooperative Departments in the States

The recommendations made by the Development Commissioners' Conference were accepted without any discussion.

ITEM No. I (*e*)

Training of—(1) Non-official workers at all levels

The Minister for Cooperation, Andhra, expressed the view that the Cooperative Department should have nothing to do with the training of party workers as such a proposal was likely to introduce politics into the working of the cooperative movement. He emphasised that courses on cooperation should be introduced in colleges, high schools, middle and primary schools. He thought it very important to educate the next generation and suggested that the Union Ministry should undertake the production of the necessary text-books for school and college boys.

Prof. Karve pointed out that the subject was engaging the attention of the Central Committee on Cooperative Training. A cooperative book fund has just been set up and it was intended to approach responsible and qualified persons to bring out authorised books on the subject.

Minister for Cooperation, U.P. was opposed to the idea of his officers giving instructions in training camps organised by political

parties for cooperative education. He thought that by this process political parties will enter the cooperative movement and the movement will go to pieces. He pointed out that camps run by political parties were not separately organised only for cooperative training and Government officers who want to give instructions were likely to get involved in the rest of the activities. Demands for the use of microphones and other Government equipment might be made and it may be embarrassing to refuse such requests.

The Deputy Minister of West Bengal, was on general agreement with the view of the U.P. Minister.

The Minister for Cooperation, Orissa, was of the opinion that the problem would be simplified if only the services of instructors from training institutions were made available for such camps and officers engaged in administrative duties were not deputed for this work.

The Union Minister for Cooperation did not think that the proper method of preventing infiltration of politics into the movement was a denial of correct information to members of such parties. He agreed with the Orissa Minister and thought that there would be no difficulty in supplying such instructors and available literature to political parties running camps for cooperative education.

Recommendations

The recommendation of the Development Commissioners' Conference were approved.

ITEM No. I (*f*)

(1) *Revitalisation and reorganisation of existing societies; and*

(2) *Programme of organisation of new village societies in the years* 1959-60 *and* 1960-61

Prof. Karve initiated the discussion by pointing out the great importance of this item. He expressed regret that certain changes in policy were made during the last two years without consulting non-official cooperators. He thanked the Union Minister for giving them the opportunity of expressing their views on this occasion. He thought that revitalisation could only be based on an analysis of the causes that had led to devitalisation. Similarly, reorganisation could only be based on a full knowledge of the defects of the previous organisation. In this connection, Prof. Karve thought that the reversal of policy regarding large-sized societies was a mistake. Things were definitely improving with large-sized societies and the policy that had been evolved after very careful consideration should not have been lightly scrapped. Unless a primary society was sufficiently large to be equipped with the necessary skill and staff, no programme of reorganisation could be successful. A paralysis had come over the entire cooperative movement—official and non-official—owing to the contrariness of policies. He also added that in the context of cooperative development, means must match the ends and that at present we were tinkering with the cooperative programme. He emphasised that in the Third Five Year Plan we must ensure that the means are compatible with the attainment of the end we have in view.

The Union Minister appreciated the sentiments expressed by Prof. Karve. He made it clear that no one considers the large-sized societies as anathema. The target in the Second Plan was to cover 50,000 villages with large-sized societies. Actually 75,000 villages had already been covered by the 6,300 large-sized societies that had so far been organised. The working of these societies should be evaluated in due course and in the light of the assessment made the policy could be reconsidered.

The Minister for Cooperation, U.P., stressed that he did not want further confusion regarding the policy about small and large societies. He felt that in considering the size of the society the question that had to be borne in mind was whether we were trying to evolve a banking organisation or an instrument of social change. The village society had been conceived as an instrument for carrying out social change in the villages and we had to be clear in our minds about this underlying objective. He, therefore, thought that the village societies had come to stay and that large-sized societies should not be organised in future.

The Minister for Cooperation, Bombay, was of the view that the size of the society was a relative term. While mutual knowledge was necessary, the institution must also have operative efficiency and viability. He attributed the increased volume of credit through cooperatives in Bombay to the strengthening of the capital structure through share capital contribution by the State. He did not think that such share capital contribution would necessarily mean interference by Government in the work of primary societies. In answer to a question by Deputy Chairman, Planning Commission, he stated that nomination of Directors could be from non-officials. He thought that to build up strong village cooperatives share capital contribution by the State was necessary. He referred to the report of the Working Group and complained that although the Working Group had made out a strong case for share capital participation, it did not recommend State participation, but suggested a policy of 'wait and see'.

Shri Bhide intervened and explained that the Working Group had given the pros and cons of share capital participation by the State. There was share capital participation by the State only in large-sized societies the organisation of which had been stopped. The Working Group, therefore, felt that it would be better to wait and see the results of share capital participation in large-sized societies before making any definite recommendation in respect of village co-operatives.

The Minister for Cooperation, Bihar, thought that it would not be possible to run the village societies with honorary secretaries. He also pointed out that the Chief Ministers of all States except Rajasthan who were in the sub-committee appointed by the N.D.C. had expressed themselves in favour of State participation in the share capital of primary cooperative societies.

The Deputy Chairman, Planning Commission, explained the position in regard to the programme for cooperation embodied in the Second Five Year Plan. This programme consisted of two parts:— The first part related to the organization of large-sized societies on the model recommended by the Rural Credit Survey Committee's

Report. For this, the Plan provided for experiments with large-sized societies in about 50,000 villages. The second part of the programme embodied in the Second Five Year Plan consisted of revitalising the existing village societies and organising new village cooperatives. In regard to these, it was recognised that efforts should be made on the largest scale possible. Targets were indicated in a letter sent to States after the Mussoorie Conference. The second part was really a continuation of the efforts made in the years 1952-53 to 1956-57 during which nearly as many members were added to village societies as in all the previous decades, without any special financial assistance whatever. There was thus no new policy: it was only a continuation of the old policy. The N.D.C. resolution gave form and substance to this.

The question was raised about the agency for carrying out this programme. This is the community development agency. The Deputy Chairman said he had dealt with the philosophy of this in his speech to the Development Commissioners' Conference. It must be recognised that under the community development there was a village level worker trained in cooperation for every 1,000 to 1,200 families, that is, five or six village cooperatives. It was his duty to assist the villagers to form these societies and run them satisfactorily. He had to be in continuous touch with them and give them all the day-to-day advice needed. Above the village level worker there were the Block Development Officers—one for every ten village level workers—who would also assist. Then there were representatives of the Central Banks. It was not as if the village societies were being left to their own unaided efforts.

The Deputy Chairman said that the country had committed itself to the community development movement. Two-thirds of the country had been covered by community development blocks. At the every first meeting of States Ministers at which the All-India Credit Survey Committee's Report was considered the need for making the co-operatives part of the community development movement was stressed and a resolution was passed. The Deputy Chairman appealed to cooperators to bring about a synthesis between the two movements with the object of achieving social change. Large expenditures were being incurred under the First and Second Five Year Plans on the creation of facilities for increased agricultural production—irrigation, seed farms, fertilisers, organic and green manures, contour-bunding and soil conservation, etc. The utilisation of these facilities in the villages was a matter of cardinal importance. It was in this that the village panchayat and the village cooperative had to assist. The basis of all this would be a village production plan. There was also the importance of the customary village obligation for constructing and repairing field channels, bunds and contour-bunding programmes, etc. In these also, village cooperatives could assist. It was only by all people in the village joining together and working for increased agricultural production that the community achieved social cohesion which was the basis for national unity. In his view co-operation was the soul of the community development movement, its activating principle.

The Deputy Chairman explained that the large-sized societies covered 75,000 villages—a larger number than was envisaged when

the Plan was framed. It was of the utmost importance that they should work satisfactorily. The failure of even one of these societies would injure the movement. It was not the intention that these societies should be broken up immediately or within a fixed time. The aim should be to work them on the best business principles and ensure their success. Sooner or later, they would have to be integrated with the community development movement. How this should be done was a matter which should be decided in regard to each society according to its conditions but the integration must be the aim. He drew attention to the need for village production programmes in the villages covered by these societies.

The Deputy Chairman again emphasised that the 'new' policy contained in the N.D.C. resolution was a restatement of the old policy with which cooperators in the country were familiar in the context of the community development movement. There was need for non-official leadership at all levels of the co-operative structure. This leadership had always been an asset to the movement in India and would always continue to be valuable in the future.

Shri Mehta asked whether the Rural Credit Survey Committee's Report recommended large-sized societies as an experiment. The Deputy Chairman remarked that no committee however eminent could claim that they had a final solution to problems of rural finance.

Recommendation

The programme proposed was approved.

ITEM NO. I(*g*)

Cooperative Marketing

The Minister for Cooperation, U.P., stated that State-trading in foodgrains had adversely affected the working of marketing societies in his State. This was due to prevalence of two prices—the price fixed by Government and the price paid by the trader which was in fact higher. Cooperative marketing societies could not compete with the trader as they could only pay the lower price, *i.e.*, the price fixed by Government and as a consequence were losing business.

The Minister for Cooperation, Punjab, said that his experience of State-trading in foodgrains in Punjab was different from that of the U.P. Minister. A number of cooperatives had very successfully carried out State trading to the mutual advantage of the cooperatives as well as the State.

The Minister for Cooperation, Bombay, emphasised the need for linking cooperative marketing with consumer cooperatives and was in favour of a plan of cooperative monopoly being put through at the earliest.

The Minister for Cooperation, Assam, stated that they had given a monopoly to cooperatives in regard to State-trading in two districts and the societies had done remarkable work by handling agricultural produce worth nearly Rs. 1 crore. The prices in those two districts were lower than those in other districts and he wanted to extend the

scheme to three more districts. For this purpose he proposed to organise 33 more marketing societies this year.

The Minister for Cooperation, Orissa, pointed out that the prices fixed from one State to another had considerable disparity. This was leading to inter-State smuggling and was adversely affecting the business operations of marketing societies.

The Union Minister for Cooperation indicated that the views expressed by the State Governments would be duly conveyed to the Central Ministry of Food & Agriculture.

Shri Rajagopala Naidu narrated his experience of the working of State-trading through cooperatives in Madras where the entire work of procurement had been entrusted to cooperatives.

Shri J. C. Ryan intervening pointed out that in Madras the cooperatives doing this work were whole-sale stores and not marketing societies. Although they had been renamed recently as District Marketing Societies, they were really organisations of Consumers.

Shri V. L. Mehta emphasised the need for linking cooperative credit with marketing. He was of the opinion that a mere penalty clause in the bye-laws would not suffice. Provision of full credit would have to be accompanied by effective linking of credit with marketing. For this and other work, village societies would need whole-time staff.

Recommendations

The recommendations of the Development Commissioners' Conference were approved.

ITEM No. I(*h*)

Cooperative Processing

The recommendations of the Development Commissioners' Conference were agreed to without any discussion.

ITEM No. I(*i*)

Building up and strengthening of non-official organisations

Shri Naidu was of the opinion that the power of registration and liquidation should be delegated to cooperative institutions. He indicated that liquidation proceedings handled by the Department were very dilatory and in some cases continued for several years.

The Deputy Minister, West Bengal, opposed the idea and was in favour of the recommendations of the sub-committee that for the time being these powers should continue to vest in the Registrar and his officers.

The Union Minister for Cooperation agreed with the Deputy Minister.

Recommendations

The recommendations of the Development Commissioners' Conference were approved.

ITEM NO. II

Measures necessary for eradicating maladministration and inefficiency in cooperative organisations at all levels

Prof. Karve observed that if cooperative institutions are to be made efficient and well administered, cooperative management must be professionalised. This implied that the elected directors should confine themselves to policy matters and actual execution and day-to-day management should be entrusted to professionally trained executives. There was need for a duly constituted cadre of cooperative employees. Prof. Karve was of the view that the present system of part-time service was unsatisfactory and resulted in inefficiency.

Recommendations

The recommendations of the Development Commissioners' Conference were approved.

ITEM NO. IV

Supplementary plans for 1959-60

It was explained that supplementary plans for 1959-60 had been received from most States and that it was proposed to discuss them with the State representatives about the middle of August and finalise them. There was no other discussion on this subject.

ITEM NO. V

Formulation of a broad time schedule for action in the States and the Centre

The recommendations made by the Development Commissioners' Conference were approved without any discussion.

ITEM NO. VI

Coordination between the activities of (a) cooperative societies and block development staff; (b) Block Level Cooperative Extension Officers and other staff of the C.D. Organisation.

The recommendations made by the Development Commissioners' Conference were approved without any discussion.

On the conclusion of the discussion of the agenda, the Union Minister of Cooperation addressed the Conference again. He thanked the delegates for having come to Mysore and taken part in the discussion which, in his opinion, had been very useful. The delegates had expressed their views freely and frankly and as a result many misunderstandings had been removed and some doubtful points clarified. The Conference had reached some important decisions and it was now for the Central and State Governments to implement these decisions as quickly as possible. The report of the expert committee, when received, will be discussed with the State Ministers of Cooperation before final decisions are taken.

APPENDICES

APPENDIX A

NOTES ON AGENDA ITEMS

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ITEM No. I (*a*)

Functions of Services Co-operatives

The new Co-operative Policy contemplates the organisation of primary rural co-operatives on the basis of the village community as the unit. Since the Nagpur Session of the All-India Congress, such village co-operatives have also been popularly described as service co-operatives. It is necessary to clearly define the functions of such village or service co-operatives. There are certain minimum functions which such societies must perform. Then there are certain additional functions which can be taken up provided the necessary

enthusiasm is created and the necessary administrative arrangements are made. On the other hand, there are certain functions which the village or service co-operatives are not expected to take up. An attempt to demarcate the functions on these lines is made below :—

The primary functions of the village co-operative will be the provision of short and medium-term credit, supply of agricultural and other production requirements and the marketing of agricultural produce through a marketing society for a group of villages based on the marketing centre.

Before a village co-operative can contemplate going beyond its minimum service, and advisory and extension functions, its ability to undertake these in a satisfactory manner must first be assured. The primary task of village co-operative will, for some time to come, be to equip themselves to discharge their service functions in an efficient manner and to extend their membership so as to include all rural families.

In addition to the above functions the co-operative will help, formulate and implement a plan of agricultural production for the village and undertake such educative, advisory and welfare work as the members might be willing to take up, for example :—

(*i*) The society may organise the production of organic manures locally through various means, *e.g.*, green manuring, compost, night soil, etc. A comprehensive programme may be prepared and implemented through the members.

(*ii*) The society may obtain seed from Government farms and registered growers and may select suitable progressive farmers in the village who should be given every assistance in growing good seed. The seed produced by them may be purchased by the society and distributed to farmers in the form of loans in kind to be recovered after the harvest.

(*iii*) Under favourable conditions, some functions other than these may be undertaken by specially well-organised village co-operatives by way of extension of their main service functions.

It must, however, be remembered that in a society which seeks to carry out too many functions, there is a serious danger that even the simpler and more basic functions may suffer and if this happens, it is likely to demoralise the people and destroy their faith in co-operation as a movement.

A village co-operative should not take up the following functions which should be dealt with by separate functional co-operatives :—

(*i*) Artisans will require separate co-operatives which may be on a village basis if their number in a given village is sufficient or may otherwise cover several contiguous villages. There may, however, be some artisans like blacksmiths or potters who cannot be organised into separate functional

societies. Such artisans should be served by the village co-operative.

(*ii*) Economic activities which call for long-term investment should not be taken up by the village co-operative. Thus where groups of individuals within a village desire to sink a tube-well or run a co-operative farm, separate co-operative societies distinct from the main village cooperative should be organised.

(*iii*) There are some activities which may be of interest to a limited number of members of the village cooperative. All the members of the village cooperative may not be interested in such activities and may not be prepared to assume obligations and risks associated with such activities. Lack of general interest in a particular programme will result in no active steps being taken to push forward with it. It is, therefore, necessary that in such cases the beneficiaries should form a separate co-operative society for the purpose. Where financial assistance has to be given for works of a community character, the Panchayat will be the proper institution for assuming responsibility.

(*iv*) There are many activities in which the primary organisation has to be larger than a village. Soil conservation works may be cited as an instance in this connection. The beneficiaries in such cases must come together in a separate co-operative embracing more than one village.

(*v*) Activities which may involve risks as in the distribution of consumer goods or in the processing of agricultural produce or in the sale of milk or fruits or vegetables will need separate organisations appropriate to the scale of operations to be undertaken, the requirements of capital etc. These may often embrace more than one village. Such activities should not be taken up by the village co-operative.

ITEM No. I (*b*) (1)

Making membership of village cooperatives universal

The Cooperative form of organisation has a vital role to play in any plan of economic development along democratic lines, and the creation of a large number of decentralised units is essential to its success. In the conditions of India the village is the obvious unit of organisation particularly in the field of agricultural production. The National Development Council in its Resolution on Co-operative Policy has given to the co-operative movement a very important role in increasing agricultural production, in mobilising local manpower and other resources and generally in rebuilding the rural economy. It has for this purpose emphasised that co-operatives should be organised on the basis of the village community as the primary unit and that the responsibility and initiative at the village level should be placed fully on the village co-operative along with the village panchayat. In this context the need for making membership of co-operatives, particularly of village co-operatives, universal, is of paramount

importance. Of an estimated rural population of about 310 million at the end of 1957-58 only about 10.2 million persons had joined the primary co-operative credit and multi-purpose societies. Assuming that each member represents a family of 5 persons only about 16% of the rural population was covered by primary village societies. As about 25% of these societies are dormant, the effective coverage of population by functioning co-operatives is even less. It will also be found that quite a large percentage of the members of working co-operatives do not get any loans from the co-operative. In terms of services rendered by co-operatives, therefore, the effective coverage will be considerably lower. These facts show how far we are from the goal of universal membership. The programme for increasing agricultural production cannot be achieved unless all the rural families come within the co-operative. It is, therefore, necessary to examine why such families have hitherto remained outside the movement and to create conditions for bringing them in.

One important cause is the lack of education in the countryside. The efforts made to explain to the people the objectives underlying the co-operative method of organisation have been both inadequate and unsystematic. Government Departments which have been charged with this responsibility have, for obvious reasons, not been able to do this work, adequately except perhaps in some States. Non-official organisations have also not been able to make a real impact on this problem. Consequently, a large mass of the rural population does not yet understand the advantages of co-operation. Secondly, in some States a small group of well-to-do persons have formed themselves into co-operatives and have generally been reluctant to admit the weaker sections of the community into the fold. Thirdly, the co-operative movement in many States has been, more or less, a failure and this has discouraged the prospective members from coming in. In certain areas the consequences of unlimited liability have also kept a large number of people away from the movement. Then again, there are many elements in a village which have not come into the fold because they had little or no prospect of getting any benefits, *e.g.*, village artisans. These are broadly the causes why the movement has not touched even a fringe of the rural population. It is against this background, therefore, that ways and means have to be found for making the membership of co-operative societies universal as early as possible.

In the first place, it is necessary to ensure that every person who wishes to join a village co-operative is able to do so. It is essential that, wherever necessary, the co-operative laws and bye-laws, rules and regulations of societies must be amended to secure this purpose. The attention of State Governments has already been drawn to the need for providing for an appeal against the decision of a society not to admit a person as a member. In some areas a person is not even allowed to be a member of the co-operative society if he is not a land-owner. Steps should be taken to remove such provisions immediately.

The village societies will, for some time to come, be mainly concerned with plans for agricultural production and to that extent,

therefore, those elements in the village which are not directly concerned with agricultural production may find it difficult to get the necessary finance from the society. There will be some sections of the population like the village trader, or Government employee and other salaried persons in the village who not requiring credit for production may not find it necessary to join the society. Then, there will be various types of craftsmen and industrial workers. Some of these like weavers, could be organised into separate co-operative societies for the village or for a group of villages. If that is done, they may, also not find it necessary to join the village society. Of course, when the village society begins to take up functions other than credit and agricultural production, their participation in the activities of that society will be necessary. That is, however, something about which it is perhaps not necessary to go into in detail just now. There will still be certain types of persons, *e.g.*, village blacksmith or village potter for whom there is little prospect of a separate society being organised. Their number in a village is generally one or two and organising say 30 of them into one unit will be difficult. This class of artisans, therefore, will have to be looked after by the village society. Their main work is closely connected with the agriculturists and it is, therefore, necessary that they should be enabled to join the village societies and get the necessary credit and other services from it.

In every village there is a group, however small it may be which as compared to the majority of the population is well off. They may have large holdings or may have outside sources of income. This class has often kept out of the society, because of the fear of unlimited liability. For the success of the village society, it is very necessary to get these people into the society. Firstly, they will not require credit and to that extent, the societies' burden will be less. Secondly, they would be the source from which the village society can draw deposits which can be available for lending to other members. Thirdly, this is often the group which provides leadership to the village and it is, therefore, necessary to attract them to the co-operative fold. Special efforts must, therefore, be made by education and propaganda to get them into the village co-operative.

For any substantial increase of membership on a voluntary basis, it is necessary to create incentives, so that people will join the village co-operative. Some people in the village are not interested in short-term credit but are interested in long-term loans or in marketing their produce. They often become members of marketing societies or borrow from Land Mortgage Banks but do not join the village society. To bring them into the village co-operative, it may, therefore, be necessary to provide in the bye-laws that they cannot send their produce to marketing societies or take long-term loans from Land Mortgage Banks unless they are also members of the village co-operative. With the increasing trend towards limited liability they should have no genuine apprehensions regarding their liability.

State Governments are giving a large number of facilities by way of loans and supplies. These are generally given direct to the individuals. It is necessary that State Governments should, as a policy,

cease to deal with individuals direct. All State Funds that can be made available for the rural areas for agricultural production should be canalised through co-operative societies. Similarly, the provision of various services and supplies, particularly fertilisers and seeds, should also be canalised through co-operative societies. No doubt, in the interest of increased agricultural production, it may be argued that it would not be wise, in the near future, to prevent these supplies being made to individuals even if they are not members of the village co-operatives and that village co-operatives, however, can, if supplies are short, legitimately give preference to their members. The Working Group has made certain suggestions in this connection and these should be considered carefully. It is felt that without some positive incentives and also some disincentives, a large number of people who are at present outside the co-operative movement will not come in. It may be argued that this is compulsion in another form. Actually what is intended is not compulsion, but to attract people by making various facilities and services provided by the State, available in course of time only to members of co-operatives. It is legitimate for Government to do so, particularly, when Government as a policy want that as many people as possible in the rural areas should be brought into the co-operative movement. After all, co-operative organisations are increasingly becoming the instruments of national policy and there can, therefore, be no real objection to Government taking such steps as it considers necessary to bring the population into the co-operative fold. It is necessary to take a positive line in this connection, if the objective of universal membership particularly membership from the weaker sections of the community is to be achieved.

ITEM No. I (b) (2)

Arrangements necessary for ensuring that all members whether they own property or not are able to secure loans on the basis of their production programmes.

Admission of all persons in the village in the co-operative society is, only the first step. What is even more important is that every member of the society who has an approved plan of production should be able to get a loan adequate for his purpose.

Rules and procedure followed in rural co-operative credit societies generally make loans possible only to those who have a saleable right in land, and the loans are generally given on the security of property. At the end of June 1958 the total outstanding loans of primary credit societies stood at about Rs. 107 crores. Of this amount as much as Rs. 52 crores was advanced against mortagage of immovable property. Loans against pledge of agricultural produce and merchandise amounted to more than Rs. 9 crores while about Rs. 1 crore was advanced against gold and silver. Only about Rs. 24.49 crores was advanced on guarantee *i.e.* against sureties. In case of surety loans also it is found that most co-operative societies insist that either one or both the sureties are landowners. An additional condition is also imposed in some cases requiring the consent of the superior landlord to the loan. Even in cases where no registered mortgage deed has to be executed, in

respect of immovable property, a bond is taken which, under the law, creates a charge on the property. The credit limit of a member is also fixed in many cases in terms of multiples of the land revenue which he pays.

As a result of these restrictive practices a large number of people who want credit for production on lands which they are cultivating as tenants or share-croppers are unable to become members and obtain the necessary credit. Even in case of small holders of land the amount of credit sanctioned is not often adequate for financing their production plans. As a consequence, much headway in increasing agricultural production has not been possible.

It is conceded that the ultimate responsibility of deciding whether a person shall be given a loan or not should rest with the Managing Committee of the village co-operative. The Managing Committee must, however, be suitably educated about the real objects of a co-operative society. Every one in the village who has an approved production plan and has repaying capacity should be given the necessary loan without insisting on any mortgage of property. For calculating repaying capacity, income from sources other than agriculture should not also be left out of account. It is essential that the rules and bye-laws should be so changed as to enable loans being given to every member for an approved plan of production.

Some of the Central Co-operative Banks and rural societies feel that great risk will be involved in providing short term loans without landed security. If the loan is related to a specific production programme and if the necessary link with marketing is established, the risks will be greatly minimised. It is necessary to consider what safeguards are necessary so as to induce the Central Banks and the Co-operative societies to undertake a scheme of adequate finances to all members with production programmes in the village. The following steps may be considered :—

(*i*) Every loan has to be related to a specific production programme;

(*ii*) Provision has to be made in the bye-laws requiring every loanee to sell his surplus produce through the nearest marketing society;

(*iii*) The loanee may be called upon to provide two sureties;

(*iv*) A specific statutory charge should be created on the crops for the short-term loans given. So far as is known, Bombay, Madras and Mysore have such provisions in their acts. Some provision on the lines of Clause 31 of the model law prepared by the Committee on Co-operative Law may be included in all co-operative acts.

(*v*) There must be close supervision over the use of the loan.

Agenda Item No. I (c)

Provision of adequate finance to members of co-operative societies : Part played by cooperatives in agricultural finance.

The need for adequate and timely finance for agricultural production is well recognised and needs no repetition. This problem has

been examined from time to time by various commissions and committees and it is generally recognised that adequate and timely finance for agricultural production is not being made available by co-operative societies. The latest comprehensive survey of the position is by the Committee of Direction appointed by the Reserve Bank of India. It estimated that the requirements of short-term credit for agricultural operations in the country as a whole in 1951-52 were of the order of Rs. 750 crores. Of this, the cooperative agencies provided as little as 3.1% and Government 3.3%. The inadequacy of co-operative effort in this direction is apparent from these figures.

2. Since then as a result of a drive for membership of co-operative societies and provision of larger funds there has been considerable improvement both in absolute figures and in the percentage. In 1953-54, primary agricultural credit societies had a membership of 4.96 millions and advanced Rs. 29.64 crores to them, mostly short-term loans. At the end of 1957-58, the membership was 10.2 millions, *i.e.*, a little more than double the membership in 1953-54. Loans advanced in that year were of the order of Rs. 96.08 crores, *i.e.*, more than three times the loans advanced in 1953-54. The requirements of short-term credit in terms of absolute figures have as a result of a general rise in prices and as a result of the cultivator taking to methods of cultivation requiring the use of fertilizers, manures, etc. have gone up considerably beyond Rs. 750 crores. It is estimated that in the year 1957-58, co-operative agencies were financing agricultural operations to the extent of 10% of the total requirements of the country. The percentage varies considerably from State to State, Bombay being at the top with well over 40%. The figures for 1958-59 are not available but it is estimated that the loans advanced by agricultural credit societies in that year would be of the order of Rs. 110 crores if not more. From these figures it will be obvious that although there has been substantial progress in the last five years a great deal still remains to be done.

Estimated requirements of agricultural credit at the end of the 2nd Plan.

3. The requirements of credit for agricultural operations are likely to increase further as a result of both a rise in prices and larger investment in fertilizers, manures, irrigation, better implements, etc. The amount of credit that will be required will therefore go on increasing as time passes and co-operative organisations will have to make serious efforts to bridge the rapidly widening gap in respect of agricultural credit. A considerable increase in agricultural production is envisaged in the Second Five Year Plan and according to present proposals a very substantial further increase will have to be provided for in the Third Plan. As a result the requirements of credit for agricultural production will go up considerably and the question therefore requires the earnest attention of the Government as well as co-operative organisations throughout the country.

4. In the November 1958 Resolution of the National Development Council on Co-operative Policy, the target for membership of agricultural credit societies by the end of the Second Plan was set at 20

millions. It was recognised that this would necessarily mean a substantial increase in the target of short-term credit which as at the end of the Second Plan was set at Rs. 150 crores. It was, therefore, suggested that suitable arrangements should be worked out in the near future in consultation with the Reserve Bank of India. In the provision of credit special attention had to be paid to the grant of crop loans. Credit must be linked with production on the one hand and with marketing on the other. The Working Group that was appointed to consider the administrative and organisational arrangements required for implementing the Resolution of the National Development Council also examined this question. It was pointed out that in 1957-58 for a membership of approximately 10 millions credit to the extent of Rs. 100 crores was being provided namely on average of Rs. 100 per member. This was considered inadequate and the Working Group estimated the requirements of credit for a membership of 20 millions at about Rs. 400 crores. This leaves a very large gap and the problem before the co-operative movement and the Government is how to bridge it. To the extent co-operative societies raise their own resources by way of share capital, reserves and deposits, their need for borrowing from outside would be reduced. Furthermore, to the extent they have additional share capital and reserve funds, they can borrow more from the central financing institutions. A good deal of course depended on how the loans were utilised and how the loans were repaid. The position in this respect in the country as a whole was by no means satisfactory. The vital need for linking credit with production on the one hand and marketing on the other was fully recognised by the Working Group. It was pointed out that of about Rs. 100 crores advanced by co-operative societies to their members in 1957-58, something like Rs. 65 crores was made available by the Reserve Bank. If credit was linked with production and marketing and thereby prompt repayment could be ensured, it would be possible for the Reserve Bank to extend the loan assistance it was giving to co-operative institutions.

Recommendations of the Working Group

5. The Working Group pointed out that in the final analysis agricultural credit societies will have to depend to a considerable extent on their owned resources and local deposits and on the loans they could borrow on the strength of their own resources. Such internal resources must therefore be built up but this was something which could not be done immediately, and therefore some other arrangements will have to be made for the intervening period. Primary societies' main source of credit was central banks which in addition to their share capital raised their resources partly by deposits from the public and partly by loans from the Reserve Bank. Some Central Banks had strong urban leanings and preferred to devote a large part of their funds to dealing with individual traders, etc., and to that extent did not help the village societies. This tendency of course had to be rectified but even then it was not likely that they would be able to adequately meet all the demands of agricultural credit societies. They also had other commitments to other co-operative institutions and further they were not in a position to raise

additional deposits to a considerable extent. The problem therefore was how the additional funds required on the scale envisaged above could be found. The Working Group considered the question whether Government should be called upon to assist and were of the opinion that though to some extent this may be inevitable, as a general rule it was not advisable for Government to do so except as a purely temporary measure.

6. The Working Group recognised that suitable arrangements for credit must be made urgently. Any substantial increase in membership unaccompanied by the provision of adequate and timely credit will discourage new members from joining co-operative societies. Equally, if not more important, increased agricultural production in the immediate future would not be possible without larger credit. The National Development Council in its Resolution had envisaged that steps should be taken to review the existing credit requirements so as to facilitate the expansion of agricultural credit. This would involve a review of the existing procedure for fixing credit limits of primary credit societies and central co-operative banks. It was not possible for the Working Group to examine the problem from this aspect and make detailed suggestions for ensuring that credit requirements of cultivators would be met on a steadily increasing scale. The group recommended that this question should be separately examined by the Government of India, the State Governments, the Reserve Bank of India and others concerned and definite decisions taken so that adequate credit is made available.

Resolution of the National Development Council and requirements of credit at the end of the 3rd Plan

7. The National Development Council also resolved that the movement should be developed so as to bring within its fold all rural families before the end of the Third Five Year Plan. Assuming the rural population at about 60 to 65 million families and assuming that approximately two-thirds of them were directly concerned with agricultural production and required credit for agricultural operations something like 40 to 45 million families will require credit from co-operative societies. On the basis of the requirements at Rs. 200 per family, the total requirements of credit would be of the order of Rs. 800 to Rs. 900 crores. Actually the requirements, because of a general rise in prices and larger investment in irrigation, fertilizers, seeds, implements, etc., may be larger and may be Rs. 1,000 crores or more. The Working Group did not go into this larger question but it is necessary to consider it now and lay down the lines on which further action should be taken so that the necessary arrangements for credit to the maximum possible extent can be made.

Pilot Projects

8. The recommendations of the Working Group were examined by the Government of India and certain tentative decisions were made. These were placed before the meeting of the National Development Council in April 1959 and were generally approved. The Government of India examined the question again and it was resolved that

the Department of a Co-operation and the Planning Commission should formulate a scheme for this purpose and discuss it later with the Reserve Bank and the State Governments. This question has been discussed between the Department of Co-operation, the Planning Commission and the Reserve Bank of India and a pilot scheme has been formulated and forwarded to State Governments. The question of pilot projects is on the agenda of this Conference and a separate note in that connection is being circulated. The pilot projects will cover about 4,000 villages in 200 blocks. The scheme provides for the preparation of agricultural production plans by all members of village co-operative societies and for the provision of the necessary credit, supplies and services to implement those plans. Considerable supervision of the utilisation of loans and the co-operative marketing of produce is also provided in the scheme. Detailed discussions have yet to take place with State Governments and it will be some time before the scheme can be implemented. It will also take two to three years before any definite conclusions about the success or otherwise of the scheme can be drawn. The scheme is in the nature of a pilot scheme and will not make any substantial impact on the problem for the country as a whole in the immediate future. The scheme is certainly useful and the results may give some indication of the direction in which the problem may have to be tackled. It is however, not possible to wait for an assessment of the success or otherwise of the scheme and some immediate action is therefore necessary. Without this all our plans for increased agricultural production during the remaining period of the Second Plan and the Third Plan are likely to be jeopardised.

Appointment of an Expert Committee

9. The problem has to be tackled on a more comprehensive basis and for the country as a whole and it is therefore necessary that it is examined by an expert committee. The Committee should go into the whole question and make concrete suggestions as to how to considerably expand credit for agricultural production. A good deal of statistical and other material is available with State Governments, the Government of India and the Reserve Bank of India and detailed investigations and inquiry will therefore not be necessary. The Committee should consist of representatives of the Reserve Bank, the State Bank, the Planning Commission, the Departments of Co-operation, Agriculture and Community Development, 2 or 3 representatives of State Governments and 2 or 3 representatives of non-official co-operative opinion. The committee should examine all possible ways and means of achieving the object in view namely provision of adequate credit for agricultural production. It should be possible for the committee to submit its report within a period not exceeding 3 months.

ITEM No. I (*d*)

Strengthening of the Co-operative Department in the States

The Resolution of the National Development Council dated 8th and 9th November, 1959, recognised that at present co-operative departments are not adequately equipped with field and higher level

personnel for organising the large programme of Co-operative Development envisaged by the N.D.C. Under the Second Five Year Plan provision was made for strengthening of co-operative departments, but this has been found inadequate. Sir Malcolm Darling, who visited India at the request of the Planning Commission, made specific recommendations with regard to the extent to which additional staff was required at various levels. These suggestions were made in the context of the Second Five Year Plan and have to be reviewed in the light of the programme now envisaged.

2. Considering all these aspects, Government of India in their letter relating to Co-operative Policy issued on 11th May, 1959, suggested that the State Governments should examine the position in the light of the large scale expansion envisaged and take necessary steps to increase the departmental staff at all levels. The Government of India will share the cost of additional staff to be sanctioned in the supplementary plans for 1959-60 and for the remaining period of the Second Five Year Plan on 50 : 50 basis as against the present position where the Government of India pays only 25% of the cost. State Governments should, therefore, re-examine the position and work out fresh proposals. In this context, the following suggestions deserve consideration :

A. Headquarters Staff

Broadly speaking, the Registrar should have the assistance of the following technical expert staff at Headquarters.

(*i*) *Marketing Expert.*—While sufficient experience has been acquired by the officers of the Co-operative Departments in regard to development of credit activities, their knowledge and experience of marketing cannot be considered adequate. Appointment of a marketing expert who is conversant with the trade practices and market-conditions and has some practical knowledge of inter-State trade will be of considerable advantage to the Registrar in facilitating the implementation of marketing programme.

(*ii*) *Processing Expert.*—As in the case of marketing an officer or officers will have to be placed in charge of processing societies, which can be broadly classified into two categories : (i) Sugar factories and (ii) other processing societies. Some States have already appointed a senior officer in charge of sugar factories. Other States which have not made adequate arrangements should do so without delay. For work relating to other processing societies such as cotton gins, rice mills, jute baling plants, etc., proper supervision and guidance have to be ensured.

(*iii*) *Statistical Officer.*—Collection, compilation and analysis of statistical data for watching the progress of various schemes in the Second and Third Five Year Plans has become one of the important functions of the Registrar. He is being constantly called upon to furnish information on various points either regularly or on an *ad hoc* basis. In some States Statistical Officers have been appointed in the co-operative department, but the arrangements in a large number of States in this regard continue to be unsatisfactory. The appointment of a separate progress-*cum*-statistical officer is essential.

The appointment of a separate whole-time officer with adequate staff under him for this purpose is necessary in the States but in the case of Union Territories this function could be combined with other duties *e.g.* banking and audit.

(*iv*) *Banking Expert.*—A banking expert or financial adviser-*cum*-Chief Auditor to advise on matters relating to finance, banking and audit is essential.

(*v*) *Staff for Industrial societies.*—Wherever industrial co-operatives are also the responsibility of the Registrar, he would require the help of either a Joint or a Deputy Registrar exclusively for that work.

B. Field Staff

(*i*) *Divisional Headquarters.*—Besides having functional staff on the lines set out above at the headquarters there should be an officer of the status of a Senior Deputy Registrar of Class I or Joint Registrar at the divisional level for co-ordinating the work of district co-operative officers (Assistant Registrars) and giving them guidance from time to time. Even in some of the co-operatively advanced States like Madras and Andhra, there are no arrangements at the divisional level. A divisional officer would be necessary for about 5,000 societies.

(*ii*) *District Staff.*—(*a*) *District Co-operative Officer.*—For at least every 500 co-operative societies of all types there should be one District Co-operative Officer (Assistant Registrar-Gazetted Class II Status). If the number of societies in a district exceeds 800, an additional Assistant Registrar should be provided. Proper distribution of work among the two or more officers within the district should be made so that no one is over loaded.

(*b*) *Statistical Assistant.*—With the increase in the volume of work, the District Co-operative Officer or the Assistant Registrar would require technical help in dealing with matters relating to planning, statistics and progress. The utility of the District Co-operative Officer would be considerably enhanced if a statistical assistant with experience in field and office work is attached to him. This would be in addition to the required office and clerical staff.

(*iii*) *Block Level Staff.*—Co-operative Extension Officers have been posted in most of the States for every extension block which normally consists of 100 villages. The number of societies in a block is not likely to exceed 100. However, if in any area there are more than 100 societies of various types, an Additional Block Level Extension Officer would be necessary.

C. Audit Staff

It is considered that the responsibility for audit should not vest in the same person who is entrusted with supervision and inspection. The appointment of separate audit staff is, therefore, necessary. It is suggested that there should be one audit officer for at least every 40 primary societies (large and small, taken together).

It would also be recalled that in some States there are large arrears of audit and societies have remained unaudited for two years or more. The Registrar of Co-operative Societies should make special efforts to see that audit arrears are cleared. Special staff for this purpose might be appointed, if necessary. The objective should be that from 1959-60 onwards all the societies should be audited at least once a year. Arrangements should also be made for carrying out test audit at regular intervals.

D. Supervisory Staff

Trained and qualified supervisors should be appointed on the basis of at least one for every 30 village societies and one for 15 large-sized societies.

3. The suggestions given above are only the minimum requirements. Conditions vary from State to State and more staff may be necessary according to local conditions. Some of the States have already appointed some technical and other staff depending upon their needs and the intention is not to reduce this staff.

The question of providing staff for Co-operative Farming has not been dealt with in this note, as a separate communication on the subject will issue in the light of the Report of the Working Group.

4. Strengthening of the Staff on the lines set out above will be useful only if it is properly trained. In some States a considerable percentage of the existing staff is either inadequately trained or not trained at all. Furthermore in many States, some of the staff is also not really suited for this kind of development work. A number of them have an urban background and do not understand rural conditions and make little or no effort to do so. Staff dealing with rural areas should therefore have a rural bias. It is also noticed that in many States, the Co-operative Departments are not considered important. The terms and conditions of service do not compare favourably with those of the sister deparmtents like Agriculture. As a result, the quality of men coming to the Co-operative Department is not good. Similarly in many States senior posts are filled by officers brought from other departments; they are often given little or no training and are frequently transferred. This should be avoided.

5. The staff of the Co-operative Department and Institutions has not only to carry out the statutory duties but also to create a proper atmosphere for the growth of the co-operative movement. In carrying out their duties, the staff should take special care to see that the initiative and the sense of responsibility of the people are not in any way impaired.

6. State Governments are requested to take the above suggestions into account while formulating their proposals for appointment of additional staff.

Item No. I (*e*)

Education & Training of—

(1) *Non-official workers at all Levels.*

(2) *Departmental officials and employees.*

(3) *Employees of other co-operative institutions:*

Training of members and office-bearers, etc.

If co-operatives have to be fully developed as a people's movement, it will be necessary to train a large number of village leaders, young men and non-officials workers in co-operative principles and the management of co-operative institutions. A vigorous nation-wide training programme for non-official workers and members of co-operative societies is fundamental to the success of our plans.

2. A scheme for training non-officials of the following categories has been initiated through the All-India Co-operative Union and the State Co-operative Unions:

Category of classes	Period of training (in days)
(*a*) For office-bearers (Presidents & Honorary Secretaries	30—35
(*b*) Members of the Managing Committee	10
(*b*) Members of co-operative societies and prospective members	3

3. The Government of India meets the entire expenditure of supervisory staff and instructors as well as for the production of the necessary literature. State Governments are to make arrangements for payment of stipend which is about Re. 1 per day per participant.

4. For obtaining optimum results, the training centres are located in the CD and NES blocks where the atmosphere is more favourable. By the end of 1958-59, the scheme has been introduced in 137 districts. During the current year 1959-60, it is proposed to accelerate the programme and extend the work to 180 more districts so that at least one unit would function in every district, at the end of year. The All-India Co-operative Union has been advised to organise the first training class and it is understood that it has requested the State Governments and State Co-operative Unions to select the candidates. The second and third training classes will also be organised very shortly. It is, therefore, necessary that the selection of candidates from States be finalised so that they can attend the course as soon as the dates are settled.

5. The Conference might review the work done so far and suggest measures for improvement. One of the difficulties expressed by the All-India Co-operative Union is that arrangements for payment of stipends have not been made in all the States and this adversely affects the attendance and keenness of the participants.

Departmental officials and employees of co-operative Institutions

6. A fairly comprehensive framework has been evolved for the training of officials of co-operative departments and employees of co-operative institutions by the Central Committee for Co-operative

Training. The facilities available at present for training of officials are as follows :

Category of personnel	No of training centres	Annual capacity
1 Senior officers	1	80
2 Intermediate officers	5	225
3 Specialised personnel:		
(*i*) Co-operative marketing	5 }	220
(*ii*) Land Mortgage Banking	1 }	
4 Block Level Co-operative Officers	8	800
5 Juinor personnel	53	6,750

7. In spite of the fact that the training facilities have been enlarged and improved considerably, in some of the States there is still a good deal of untrained staff. This can be avoided, if programmes of training and recruitment are planned at least one year ahead of the financial year. This should not be difficult as the broad indication of the targets are available in the Plan. Action to recruit and depute for training men needed for work in 1960-61 should be completed by October, 1959.

8. For meeting the requirements of additional personnel, the existing facilities may have to be expanded or new institutions set up. In this connection, the Central Committee has already addressed the State Governments for further information which should be supplied early.

Training of Village Level Workers and other departmental staff

9. The present syllabus for the training of Village Level Workers has to be revised with reference to the new policy adopted by the National Development Council and the consequent role these workers have to play in the development of co-operation in the village life. At present training in co-operation is being given to the village level workers for a period of 205 hours. It has been proposed to increase this to about 300 hours. Action is also being taken to lay adequate emphasis on the subject of co-operation in other courses.

Organisation of co-operatives at training centres

10. If the spirit of co-operation is to be introduced in every phase of village life, it is of the utmost importance that all workers in the blocks are imbued with it and equipped with some knowledge of its basic principles. The best way of achieving this is that in all training centres for Gram Sevaks, Extension Officers, Block Development Officers and Co-operative Officers, suitable co-operatives should be organised so that the trainees get practical knowledge of how a co-operative functions. There are various activities in the training centres which can be organised on co-operative lines. For example, the mess could be co-operatively run and so also the farm attached to these institutions. Consumer requirements of the trainees can also be provided through a co-operative society. The responsibility for management, maintenance of accounts, etc., should vest in the trainees. All persons who join the training centres should be required to join

the co-operatives and buy small shares in them. When they leave the institutions these shares can be sold to the new batch of trainees that would be coming into the institutions. The work of organising such co-operatives should be taken up systematically and as early as possible.

Co-operation in schools and universities

11. Government of India is also considering the question of introducing tne subject of co-operation in schools and universities. Preliminary discussions in this connection have been held with the Ministry of Education and the Department of Community Development. The curricula in schools and universities in the country are being examined so that suitable course of instruction in co-operation might be introduced at all stages. A study of the B.Com. course of 29 universities shows that—

(*a*) 6 universities offer co-operation as an optional or special subject. The students who offer this subject have to appear in two or three papers.

(*b*) 13 universities are offering one optional paper on co-operation.

(*c*) 10 universities are not offering any course in co-operation.

In consultation with the Education Ministry, it is proposed to advise the universities that co-operation should be one of the optional or special subjects and a comprehensive course on the lines at (*a*) above should be prescribed.

In the higher secondary schools, in the revised syllabus, the possibility of introducing a number of lessons on co-operation is being explored.

Training of party workers

12. Apart from the training programme organised through the All-India Co-operative Union, some political parties have, in the last six months, evinced considerable interest in the subject of co-operation. All the parties have lent their support to the programme of service co-operatives and some of them are organising training camps to educate their workers in the principles and practices of co-operation as well as the present policies of Government. It is likelv that help of Government might be sought by the political bodies for their programme. If so, the point for consideration is what attitude should the Government adopt. Co-operation is a movement of the people and as such if the political parties seek Government help it should be given. In doing so, the following principles might be observed:

(*i*) The responsibility for organising and running the camps should be that of the political party;

(*ii*) The party or the participant or both should meet the expenses of travel, boarding as well as lodging and the Government should have no responsibility in this regard;

(*iii*) The Co-operative Department should—

(*a*) help in formulating the syllabus;

(b) provide free of cost the services of an instructor or instructors to cover portions of the syllabus as desired by the organizers;

(c) provide the literature and other educational material free of cost.

The object of the course should be to equip the workers to create a climate favourable for the growth of the co-operative movement on sound lines. Their main task is promotion. Care must be taken to see that they do not interfere in the working of co-operative societies.

13. The general course of training of party workers can be classified broadly into three categories for which the period of training may be as under :

	Period of training
	weeks
(*i*) State level Workers	12—24
(*ii*) Districe Level Workers	6—12
(*iii*) Mandal Level Workers for a group of 30—40 villagers	3— 6

Instructors for a training camp of State Level Workers and the literature and other educational material may be provided by the Central Government (Department of Co-operation). This Department does not propose to maintain a separate staff for this purpose and would like to draw upon the experienced and qualified staff which is available with the State Governments. In case there is any difficulty in releasing the men who are already doing educational or other work, the State Governments might consider the desirability of formulating a panel of retired but energetic officers whose services can be utilised on an *ad hoc* basis. Similar arrangements will also have to be made by the State Governments for providing instructors for training camps for District level and mandal level workers.

14. In view of the importance of the training programme and the need for immediate action, so that sufficiently trained personnel are available well in advance for organisation and running of the co-operative societies, the Conference may consider all these aspects and make recommendations. Special attention should be paid to work out immediately—

(*i*) the requirements of personnel at various levels;

(*ii*) the number of additional training centres required to cope with the demand;

(*iii*) arrangements necessary for giving technical assistance and providing literature for training camps organised by political parties whenever such assistance is asked for;

(*iv*) the expenditure that will have to be incurred both at the Central and State level; and

(v) the need for additional plan provision if any, required.

ITEM No. I (*f*) (1)

Revitalisation and reorganisation of existing societies in the years 1959-60—1960-61.

On 30th June, 1958, there were 1,66,543 primary agricultural credit societies in the country with a membership of 10.2 millions. The average membership per society was 61 and the average loan per member was Rs. 94. The number of villages covered by these co-operatives was roughly 3 lakhs.

A large number of these societies are, however, dormant and require to be revitalised. Roughly 21% of the societies worked at a loss and another 10% did not make either profit or loss. Of the 1,35,047 that were audited, over 21,000 belonged to 'D' and 'E' class and another 10,000 were not classified. (As many as 27,142 societies remained unaudited).

The figures relating to 1956-57 showed that about 41,000 societies did not make any loans to their members. The coverage of villages by these societies was thus purely nominal and they existed only on paper.

The position with regard to overdues is also unsatisfactory. They constituted 21.3% of the outstandings as on 30th June 1958, against 22% at the end of 1956-57. Out of the total overdues of Rs. 22.79 crores, as much as Rs. 12.50 crores was overdue for over one year. Data relating to the incidence of overdues in respect of 11 States shows that 35.8% of the societies had overdues below 20% of the outstandings while 37.3% of them had overdues exceeding 50% of the outstandings. Sound expansion in the supply of credit through these societies will be difficult as long as these overdues continue.

These facts are brought out to show that in most States there is a great deal of dead wood to be cleared in the immediate future. It also shows that in many States the task of revitalisation has to take precedence over new organisation. State Governments will have to examine the position according to local conditions. Where a society cannot be revitalised, it has to be speedily liquidated and a new society will have to be organised. In many cases, a collection drive, scaling down of overdues for cash payment and the creation of member-interest may revive a society. Side by side, a drive for membership and passing down of adequate loans according to repaying capacity of members will have to be undertaken. These steps will lead to revitalisation of many dormant societies. Such societies will be entitled to the assistance provided under the new scheme. (Rs. 900 spread over 3 to 5 years).

Revitalisation and reorganisation of existing societies are very closely linked. As a part of the programme of revitalisation, reorganisation of societies, will often be necessary. In many States there are separate village societies for small villages with very small populations. It may be necessary to amalgamate, with the consent of the communities concerned, two or three small village societies and form a larger society with a population of about 1,000.

It is expected that the process of reorganisation and revitalisation would be completed by 30th June, 1963. It is possible that about one

lakh of the existing societies will have to be reorganised and/or revitalised during the next 3 or 4 years so that they conform to the pattern laid down by the National Development Council and Government of India in regard to size, functions etc. For the country as a whole the following programme is suggested :—

Year	No. of societies to be revitalised and/or reorganised
1959-60	20,000
1960-61	25,000
1961-62	30,000
1962-63	25,000

In order to ensure that the primary structure is sound, it would be necessary to lay down certain minimum tests for the organisation of new societies. These should be laid down by each State after taking into account the conditions prevailing in different areas. For instance, only such societies which are likely to reach a membership of about 100 and a loan business of Rs. 15,000 to 20,000 by the end of the third year should be selected for revitalisation. Suitable minima in regard to admission of new members, collection of fresh share capital and deposits, supply of production requirements, marketing of agricultural produce should also be fixed for achievement during each year for each society in order to be eligible for Government subsidies. Emphasis should be laid on admission of medium and small cultivators and tenants and other weaker sections of the community and on the sanction of loans on the basis of the production programmes and anticipated crops. Continuance of subsidy to these societies durnig the second and subsequent years should depend on the extent to which these minimum standards have been achieved by them during the preceding years.

ITEM No. I (f) (2)

Programme of organisation of new village societies in the years 1959-60 *and* 1960-61

The National Development Council recommended that the co-operative movement should be developed so as to bring within its fold all rural families before the end of the Third Five Year Plan. This will be achieved by organising new village co-operative societies as well as by revitalising and reorganising existing societies. So far as the organisation of new societies is concerned, the Council recommended that each State Government should endeavour to ensure that before the completion of the first stage of the Community Development Programme in any block, all villages have the necessary co-operative and village institutions.

The National Development Council contemplated that of the proposed increase of membership by about 10 millions in the next two years about 5 millions should represent membership of new societies. Assuming that the new societies will have an average membership of 100, the number of societies to be organised during the next two years would be about 50,000. Considering the facts that the administrative machinery in most States is still not adequate, that education

of the people in the theory and practice of co-operation is yet to be taken up on an intensive scale and also that 4 months of the current year will have been completed before the programme is taken up for implementation, not more than 20,000 new societies can perhaps be organised during 1959-60. It may be possible to organise the remaining 30,000 societies during 1960-61 thus completing the target roughly indicated by the Working Group for the remaining period of the Second Plan.

No attempt can be made in this note to break up this figure of 20,000 between the various States. In some States where the co-operative movement has developed on sound lines and there are few moribund or dormant societies, the programme of new organisation can be taken up on a large scale. In States where there are a large number of dormant and moribund societies, the task of consolidation will have to take precedence over new organisation and new societies can be organised only on a modest scale. Every State will have to take into account the present state of the co-operative movement and the availability of man-power and training facilities before deciding on the programme for the next two years. Such a large scale expansion of the movement will be possible only when it is taken up as a popular movement. The programme will thus require a tremendous drive throughout the country with the help of local leaders. It is for consideration of the Conference how such a drive can be organised and what part the political, charitable, philonthropic, educational and service organisations can play in this respect and how the efforts of such organisations can be integrated.

It has also to be ensured that the primary societies which come up are organised on a sound and popular basis. It is, therefore, necessary that before new primary co-operatives are set up, certain minimum tests should be applied such as that at least a minimum proportion, say 25%, of the families in the village or 50 persons whichever is higher should come forward to join the society, that each member should subscribe a minimum share-capital and pay up a minimum first instalment and agree to pay the rest within a short period of about 5 years. A broad agreement on the tests that should be laid down by each State may also be attempted in the Conference. It is important to realise that a hasty expansion of the structure without reference to quality may lead to failure and shake the faith of the people in the co-operative movement.

Agenda Item I (*g*)

Co-operative Marketing

(A) The Second Five Year Plan provides for the establishment of nearly 1,900 marketing societies. Against this target, 1,065 societies have been set up in the first three years of the Second Plan. In the Annual Plans for 1959-60, a provision for establishing 414 marketing societies has been made. This will be supplemented by the additional programme to be included by way of a supplementary plan for 1959-60. From these figures it is obvious that, so far as organisation of marketing co-operatives is concerned, the programme has been

substantially put through. However, as regards the extent of marketing operations, the position is by no means satisfactory. In 1957-58, various primary marketing societies are reported to have handled either as agents or as owners agricultural produce worth nearly Rs. 16.00 crores. It is apparent that the quantity of agricultural produce handled by primary marketing co-operatives in the country is very small. The Second Five Year Plan had envisaged that by the end of 1960-61 at least 10 per cent of the produce should be handled by co-operatives. It is necessary that considerable expansion in the marketing operations takes place before the target set forth in the Second Five Year Plan is achieved.

2. For the future, the programme should provide for the organisation of new co-operatives in areas not covered so far and for expansion of the marketing operations of co-operatives which have already been set up. It is proposed to consider what measures are necessary for achieving this two-fold programme particularly for expanding the business operations of existing marketing co-operatives so that, in the country as a whole, they play an important part in the sale of agricultural produce. While reviewing the past achievements and assessing the future programme, it is necessary to consider the following:—

(a) How far have marketing co-operatives been able to equip themselves with suitable staff and what measures, if any, are necessary in this connection?

(b) How far have they been able to procure the necessary funds both for marketing operations and for fixed investments and what measures, if any, are necessary for facilitating the supply of funds?

(c) To what extent have they been able to own or hire storage accommodation and in what directions further improvements are possible?

(d) To what extent are marketing societies represented on the regulated market committees and how far have the regulated market committees tried to facilitate the working of marketing societies? What further measures are necessary in this direction?

(e) What marketing practices have been followed by the co-operatives and to what extent improvement in these practices can contribute to the business turnover?

(f) To what extent have apex societies lent support to the primary marketing societies in their operation and what additional measures are necessary in this direction?

(B) 3. In the scheme of State Trading in Foodgrains, co-operatives have been assigned a very significant role. In fact, development of co-operatives is the most important aspect of the socialisation of trade in foodgrains. It has been envisaged that the ultimate pattern of State Trading in Foodgrains will (a) provide for the collection of farm surpluses through service co-operatives at the village level; (b) channelling of such surpluses through the marketing co-operatives;

and the apex marketing co-operatives for distribution through retailers and through consumer's co-operatives. It is further contempleted that, during the interim period, more and more of the wholesale trade in foodgrains would be taken over by the co-operatives as they are progressively organised and developed.

4. In this connection, the State Governments and the Union Territory Administrations were advised by the Central Government to adopt measures in the following directions:

(a) In the interim period, in selected *mandies*, where cooperatives are effectively established all purchases on Government account may be effected through them;

(b) In other areas, purchases to the maximum possible extent should be effected through marketing co-operatives;

(c) Necessary steps should be taken to see that there are no unfair practices, on the part of traders, which hamper the operations of the marketing co-operatives during the interim period; and

(d) Marketing co-operatives are organised on a sound basis so as to ensure that their control does not pass into the hands of interested traders or money lenders.

It is necessary to examine how far action has been taken on the above lines and what further measures are necessary for making co-operatives effective in the scheme of State Trading in Foodgrains. In particular, it is proposed to consider to what extent co-operatives have been utilised for effecting purchases on Government account during the current year.

(C) 5. Besides making arrangements for the disposal of agricultural produce, one of the principle functions of a marketing co-operative is to supply various agricultural production requisites such as fertilisers, seed, agricultural implements, etc. In this connection marketing co-operatives have, of late, been playing an increasing role in the distribution of these agricultural requisites. In 1957-58, the total value of such goods distributed by primary marketing societies was in the neighbourhood of Rs. 5.30 crores. In certain States such as Punjab, Madhya Pradesh, Uttar Pradesh, Assam and Bihar the co-operatives have been given the monopoly for distribution of chemical fertilisers, while in other States co-operatives are being given a large share in the work of distribution of chemical fertilisers. It is, however, observed that the position is by no means satisfactory as far as distribution of seed, agricultural implements, etc., are concerned. Even in the case of chemical fertilisers, in a large number of cases, the distribution does not eventually flow through village co-operatives as the marketing co-operatives have been utilising individual traders or other private parties for retail distribuiton. This is a situation which calls for reorganisation of the distribution set-up.

It is necessary to consider:—

(a) what measures are necessary so that supply and distribution of agricultural requisites are handled co-operatively at all levels down to the ultimate consumer?

(b) what measures are necessary for relieving departmental agencies of this work and transferring it entirely to the co-operative structure?

(D) 6. One of the essential features of the integrated programme of co-operative development is linking up of the operations of co-operative credit societies with those of co-operative marketing societies. In this connection, the actual progress in the field is very uneven and on the whole almost insignificant. With the execption of a few areas, in one or two States, no concerted measures towards linking up of co-operative credit with marketing have been taken. It is necessary to review the position and to consider measures which are necessary for effectively linking up credit co-operatives with marketing co-operatives throughout the country.

Agenda Item I (*h*)

Co-operative Processing

1. The Second Five Year Plan fixed a target of 48 cotton ginning co-operatives and 118 other types, excluding co-operative sugar mills. This was exclusive of processing units that may be installed by marketing co-operatives as an adjunct to their normal operations. Against these targets, the achievement has been 117 units in the first three years of the Plan and the Annual Plan for 1959-60 provides for 69 similar units. In other words, as far as mere organisation of societies is concerned, the programme of co-operative processing is satisfactory. In terms of actual operations, however, with the exception of two commodities, *viz.*, sugarcane and cotton, much headway has not been made.

2. The National Development Council in its resolution on co-operative policy has observed that the programme for co-operative processing which is already under way should be enlarged, in particular, in relation to the processing of foodgrains. With a view to encouraging, co-operative processing, the Government of India have recently decided that in the matter of giving permits for the establishment of rice mills, preference should be given to co-operatives and that permits should be given to private individuals only after ascertaining that there is no possibility of a co-operative society coming forward to take up rice milling in that area within a reasonable period. In regard to the establishment of mills for the crushing of cotton seeds, the Central Government are willing to reserve areas or States for co-operatives.

3. It is proposed to consider what measures are necessary for carrying forward the two-fold programme of organisation of new co-operative processing societies or installation of processing units in existing marketing co-operatives and expansion of the operations of existing processing units. In this connection, it is suggested that the following factors may particularly be considered :

(a) What are the broad marketing techniques which co-operative processing societies have followed and to what extent is it possible to improve them? How far can the system

of pooling of produce followed by cotton processing societies in Bombay State be adopted by all processing co-operatives?

(*b*) To what extent has suitable managerial and technical staff been obtained by processing co-operatives and what further measures are necessary in this regard.

(*c*) How far have processing co-operatives been able to raise the necessary funds for seasonal marketing operations as well as fixed investments? What other measures, if any, are necessary in this connection.

(*d*) To what extent can the preference shown to co-operatives in the matter of granting permits for the establishment of rice mills and cotton seed oil mills be availed of by them and whether such preferential treatment is necessary for the establishment of any other processing units?

ITEM NO. I (*i*)

Building up and strengthening of non-official organisations.

If the Co-operative movement is to be really successful, it must not only be voluntary, but also be popular and broad-based and to the maximum extent possible, it should be organised and run by the people themselves. It is on this basis that co-operatives have been organised in most democratic countries in the West and even though the State has given considerable assistance in a variety of ways, the initiative has remained with the people.

2. In India, the expectation that, in course of time, co-operators would themselves assume increased responsibility for organisation and working of the movement and make it ultimately independent of official control has not for various reasons been realised in many parts of the country. Comparative lack of education and lack of initiative by the people especially in the rural areas are two main reasons. Thirdly, adequate steps have not been taken in some States to encourage local leadership to come into the movement in really responsible positions—possibly in the belief that they may not be capable of organising and running it. Actually in some areas, further and far-reaching powers have recently been conferred on the Registrar.

3. To a certain extent, this attitude is probably the result of the fact that Government was providing large funds and considerable staff for this work. Government will, in the future, also be called upon to give considerable financial assistance to co-operatives which are being used on an increasing scale as an instrument of national policy. There is, however, no reason why it should not be possible for Government to render this assistance without taking away from the movement its essential popular character.

4. Government, will no doubt continue to perform statutory tasks like audit, registration, cancellation, supersession, enquiry, etc. through its officers. In some States where sound non-official organisations exist or can be built up, some of the functions, such as registration and supersession might be delegated to non-official organisations

at the State or lower level. In other areas, it may not be possible to do so immediately because suitable non-official organisations are not in existence.

5. In some States, it is still the practice to nominate the Registrar as the President of State Co-operative Organisations and officers in charge of districts as Chairman of Central Banks or marketing societies. Whatever be the justification for this in the past, a change in the system is necessary if genuine non-official effort in the co-operative field is to be secured. State Governments should, therefore, take immediate action to replace officials as Chairman of Co-operative Institutions by locally elected non-officials. A definite programme for this should be formulated and implemented according to a time schedule. Removal of Government officers should, however, make no difference to the financial and other aid that is being given by Government.

6. Apart from the statutory functions, there are other tasks, especially those relating to education, training and organisation which could, at the earliest possible moment, be entrusted to non-official organisations.

7. There is also the question of supervision of societies. Arrangements for supervision of primary societies vary considerably from State to State. While in one State it is the responsibility of the State Government, there are some States in which supervising unions have been established. These unions are largely financed and controlled either by the Central Banks or by the Co-operative Department. The Unions are often not doing much in regard to the important tasks of education, propaganda, and training of members, prospective members and the general public. A study of the working of some Unions also shows that there is considerable scope for improving their work even in regard to supervision. The Government of India, therefore, suggested in annexure 'B' to the Policy letter dated the 11th May, 1959, that supervising unions, which should not only be in charge of supervision of affiliated societies, but also be responsible for educational and organisational work within their jurisdiction should be established in every block and the district.

8. Since then, this question was considered by the National Co-operative Development and Warehousing Board at its meeting held on the 25th June, 1959. The Board agreed in principle that every effort should be made to build up suitable non-official organisations like unions at all levels. The Board, however, expressed a view that a clear distinction should be made between two sets of functions, *viz.*, (i) Education, propaganda and organisation and (ii) supervision in regard to loans, recoveries, etc. The Board recommended that, to begin with, the Unions might take up the first set of functions namely those relating to Education, training and organisation. As regards the second set, the Board expressed the opinion that as conditions differed from State to State and the stage of development of the co-operative movement varied considerably from State to State, no set-pattern should be laid down for the country as a whole, and, therefore, the existing arrangements should not be disturbed without very careful

consideration. The Board has, therefore constituted a Sub-Committee to consider the extent and the manner in which other functions relating to supervision could be entrusted to the Unions.

9. It is suggested that a phased programme for setting up these unions may be formulated. The area of operation of a union should be a community development block. In areas not covered by the community development programme corresponding number of villages and population should be covered by a union. Almost all the States have, by now, been delimited into the pattern of the new blocks. There should, therefore, be no difficulty on this score. Every village society should have one representative on the Union and should pay an annual subscription. Central financing agencies covering the area of operation of a Union should send one or two representatives and contribute to the funds of the Union. The basis of contribution might be worked out by the Registrar in consultation with the bank. All other co-operative organisations working in that area should also join as members and pay contributions. Government should also contribute to the funds of the Union an amount sufficient to balance its budget.

10. There should be a district union for each district which should be a federation of the Block Unions in the district. The other co-operatives working in the district which are not members of the Unions, *e.g.* urban societies, should also join the district union. Central Banks and various district organisations, *e.g.* marketing societies should also be members of the district union. The district Unions will receive contributions from the affiliated units and subsidies from Government. They will be concerned with educational training and organisational work and will help the block unions in the district.

11. State Unions should be federations of district unions organised on the same lines, with the same functions and should be financed on similar lines.

12. All the organisations will require trained staff. Such staff should, in the initial stages, be trained at various co-operative training institutions. Later on, they can join together and make their own arrangements, if they so desire.

13. It must be made quite clear that, apart from their statutory duties, the Government, the Registrar and his officers should not have any control over these institutions. It will, however, be their duty to assist and help these organisations at all times particularly in the initial stages. For this purpose, it would be an advantage, if Government could send one or two observers to attend the meetings of the Board of Directors and Executive Committees of these institutions. The observers would be there only for the purpose of assisting and helping them on the spot. They should not only have no right of veto but should not even have a vote.

14. The Conference might consider this problem and the specific suggestions made above and recommend the lines on which further action should be taken.

Agenda Item II

Measures necessary for eradicating maladministration and inefficiency in co-operative organisations at all levels.

Introduction

The co-operative movement has been in existence in this country for well over fifty years. The co-operative law provides for various measures of regulation and control and these powers are being exercised mostly by the Government, though in some States there are non-official agencies which are performing some of these tasks to a limited extent. There are many serious defects in the organisation and working of many co-operative societies just as there are a few instances of efficient and successful co-operative organisations. The position in this respect has definitely deteriorated during the last few years and unless adequate steps are taken maladministration, embezzlements and inefficiency are likely to grow and cause permanent damage to the co-operative movement.

2. Government has decided on a policy of building up a large and growing co-operative sector and various steps are being taken on an unprecedented scale to carry out this policy. The State is giving considerable financial and technical assistance to the movement and this will be substantially increased in the next few years. It is therefore necessary that adequate steps are taken to ensure that the financial and other assistance given by the State to the movement is really utilised for the benefit of the people. The scope for maladministration, embezzlement, etc. is likely to be greater because of the larger finances involved, ineffective control of the board of directors by the general body of the members and the non-availability of adequate and efficient trained and honest staff at all levels. There are already many vested interests which are exploiting the movement for their own ends and the scope for such exploitation in the future will be all the greater.

Maladministration and inefficiency in co-operative organisations.

3. There are many defects and malpractices which exist in many co-operative organisations in the country. It is necessary to categorise them under suitable heads and illustrate them by typical instances. An effort to do so is made in what follows :

4. (A) *Spurious Co-operatives* : Co-operation is a means of securing for persons of limited means advantages which better placed persons are able to obtain for themselves. The genuine character of a co-operative society can be judged from its objects, the composition of its membership and the nature of its management. Not infrequently the management of a society is in the hands of a small group of persons who use their positions for their own personal advantage and do not bother as to what happens to the average member of the society. Then again, there are societies formed by a small group of individuals whose main object is to take advantage of various concessions and facilities given by Government to co-operatives. They are reluctant to admit new members, particularly persons belonging

to the weaker sections of the community. In effect, they exploit the name of co-operation for their own benefit. There are various types of such co-operatives. Below are given some typical cases :

(*i*) Traders and shopkeepers often join together and register themselves as a co-operative marketing or wholesale society. These societies are of middlemen and they help neither the producer nor the consumer. They help themselves at the cost of the public.

(*ii*) In one State when the Government decided to distribute food-grains and other consumer articles through co-operatives, a number of bogus co-operatives were organised. The shareholders were members only in name and had no voice in the management which was entrusted to a shopkeeper or an agent who paid the society a certain percentage of the profits or a fixed sum for the use of the name 'co-operative'. In one Union territory a multi-purpose co-operative society when given the work of distribution of foodgrains in the rural areas appointed Managing Directors and Commission Agents for doing that work.

(*iii*) A number of co-operative farming societies consisting of a majority of non-working owners of land, closely related to each other, have been established with the object of circumventing the land reforms legislation. Some of these societies get the work done through permanent and casual labourers. In some societies the more intelligent landlords allotted small plots of land to their labourers to make a show that the society consisted of owners—operators only.

(*iv*) There are many Labour Contract and Forest Labour Co-operatives where the real power behind the organisation is of contractors who are the principal beneficieries.

(*v*) In some Transport Co-operatives, the major control is in the hands of capitalists who have invested large funds in the purchase of trucks. The users and the operators have little or no voice in the control and management of the society.

5. (B) *Unhealthy trends in co-operatives* : There are societies which instead of undertaking their legitimate functions, which would benefit the majority of their members, take up activities which benefit only a few of their members. Then again, some of the societies take up activities which are of a questionable character. Following are some illustrations of this kind of activity :

(*i*) Marketing societies secure licences or quotas for export of commodities which are not produced by their members and in fact some of which are not even grown in their areas of operation. These licences or quotas are then sold to traders who supply the goods from their own stocks. In some cases, the societies themselves buy stocks in the open market and pass them on as their members' produce.

(*ii*) One co-operative marketing society is known to have purchased a large number of typewriters, radio sets, etc. Some of the Directors or their relatives were agents of the firms who supplied these

goods and got their commission on these purchases by the marketing society. These goods were not of good quality and in any case there was no real demand for them and as a result the society lost heavily in this transaction.

(*iii*) Some marketing societies spent large amounts of money in importing watches, thermos flasks, blades, etc. On these goods some of the Directors and their relations got commissions from the suppliers. The goods could not be sold and the society lost heavily.

(*iv*) There are still a few Co-operative Banks in the country which finance individuals and urban societies on a substantial scale. Many of these individuals are money lenders or shopkeepers. These banks are, however, very reluctant to advance the larger loans required by primary societies for agricultural production by their members.

6. (C) *Mismanagement of societies and misapplication of funds*: Co-operatives are essentially business organisations whose object is the promotion of the economic welfare of their members and in the final analysis their success is to be judged by their operational efficiency and their ability to render the requisite services to their members. The management of quite a large number of societies has become the monopoly of a selected few who in order to keep themselves in power generally refuse to admit new members on any substantial scale. These few individuals often use their position in the management of the society to misappropriate its funds. The scope for such misappropriation will be greater now that co-operatives are going into various activities like marketing, processing, grading, etc. on a large scale. The expansion in the field of activity and in the size of the transactions has unfortunately not been accompanied by the requisite expansion in the employment of trained and efficient staff. The standard of efficiency and honesty in the boards of directors has generally not only not improved but has gone down. The co-operative departments in many States, have also not expanded to the necessary extent and what is worse a good deal of the staff is inexperienced and untrained. As a result, embezzlements have increased considerably.

7. (D) *Default*: Repayment of debts of a co-operative society is not receiving the attention it should receive and as a result default is on the increase. Co-operative Societies will not be able to carry on for any length of time if the present tendency in respect of default and overdues continues. In this connection, it is, necessary to point out that the existing procedures result in inordinate delays in starting and completing arbitration proceedings and in executing awards of arbitrators. Very often, therefore, societies do not either take up such proceedings or drop them after making small recoveries. The result of this is that even honest persons begin to default in the hope that they may similarly escape paying what they have to pay.

Measures for eradicating these evils

8. All these defects are undermining the position of the co-operative movement in many States and it is necessary that prompt and strong action is taken in this connection. Below is given an indication of the lines on which such action is necessary:

9. (A) *Spurious Cooperatives*: The problem of spurious cooperatives is two-fold—preventing their registration and weeding out existing ones. Registration under the State Cooperative Societies Act is a prerequisite for the functioning of a cooperative society as a corporate body. The existing provisions of the Cooperative Societies Acts in various State permit registration of cooperative societies which are intended to promote the economic interests of their members "in accordance with cooperative principles". The Acts do not, however, precisely define "Cooperative principles" though certain fundamental and broad features (*e.g.*, one man one vote, restriction on dividends, etc.) that should govern a cooperative society are indicated in the Acts and the Rules framed thereunder. A precise and clear definition of these "cooperative principles" for incorporation in the Act that would be applicable to all types of cooperatives covering a very wide range of economic activities is also not possible. In the absence of a clear definition of "cooperative principles", a view has been expressed that if the requisite number of persons as prescribed in the Act, get together and apply for registration of any kind of society, their application should be accepted as a matter of course. This therefore gives scope for spurious cooperatives to come up. The Acts may therefore be amended empowering the State Governments to determine what constitute "cooperative principles".

10. Besides considering the question of amending the Act, the growth of spurious co-operatives could also be checked if the Governments issue detailed instructions for the guidance of registering officers regarding the basic features of various types of co-operative societies. Registering Officers should carefully scrutinise the applications for registration, particularly the objects of the society, the composition of its membership and its constitution. Such examination should, however, not result in delay in the registration of genuine co-operatives.

11. Regarding the weeding out of existing spurious cooperatives, action has to be taken to locate such societies and deny them the aid from the State or higher cooperative institutions. In some cases it should also be possible to cancel their registration after giving them due notice, etc.

12. (B) *Unhealthy trends in Cooperatives.*—These unhealthy trends can be checked and prevented only by adequate supervision, inspection and audit followed by prompt action at all levels. Departmental and other staff should be vigilant and at their visits look for such developments.

13. (C) *Mismanagement of societies and misappropriation of funds*: In a democratic organisation like a cooperative, the efficiency and soundness of management should be ensured by a self-correcting mechanism within the movement itself, *viz.*, active participation of the members in the affairs of the society, effective and vigilant management and adequate guidance and supervision by the unions, central banks, cooperative departments, etc. This is the ideal, but it presupposes informed membership, competent management and well equipped unions, central banks, cooperative departments, etc., all of which do not obtain at present in many parts of the country. In

these circumstances, the need for effective supervision and intensive audit to detect mismanagement and misapplication of funds and a proper machinery to bring to book the delinquents is obvious.

14. Quite often serious defects in the management and embezzlement of funds are brought out in audit which is an important statutory function of the Registrar. The need for a prompt and efficient system of audit to ensure proper utilisation of funds which will be increasingly made available to cooperatives and to check misapplication or embezzlement of funds cannot be overemphasized. It is, however, observed that in many States audit of cooperative societies is in heavy arrears for long periods. Such arrears are often imputed to inadequacy of staff. This situation needs to be corrected and calls for immediate action to strengthen the staff position.

15. In this connection it is also necessary to point out that the Departments and Societies have generally not taken suitable action against persons guilty of such embezzlements. In many cases these miscreants have been able to escape any punishment by just refunding to the society the amounts they had embezzled. The general tendency has been not to bother to prosecute them as that involves a considerable amount of work. This attitude must undergo a change. If further embezzlements are to be prevented on a large scale, it is necessary that strong and prompt action is taken to prosecute these persons and get them adequately punished through courts of law.

16. For pursuing cases of misappropriation and bringing the delinquents to book, some States like Andhra and Madras have introduced a system of attaching a junior officer to the district cooperative officer. It may be considered how far such a system could be adopted in other States as well. Further, it would be an advantage if a small cell is created in the office of the Registrar under a Joint or Deputy Officer who should be an Officer of proved ability and integrity. This Officer and his staff should have free access to all audit inspection and supervision notes and should have the power to visit any society and inspect its books, registers, etc., and make such inquiries as are considered necessary. They should all the time be on the lookout to find cases of embezzlement, etc., and should have the authority to take the necessary action.

17. The Government of India have in their policy letter, dated the 11th May, 1959, suggested that a small committee may go into the question of cooperative law, rules, procedures, causes of delay and allied matters and submit detailed proposals to State Governments for their consideration. It is suggested that the committee might also go into the question of the growth of spurious cooperatives, mismanagement and mal-administration of cooperative institutions and other matters dealt with in this note. The committee might be asked to suggest measures for remedying these defects.

18. *Measures for rewarding good cooperatives and cooperators:* In addition to taking action to prevent the growth of unhealthy practices and to punish the offenders something more in the nature of incentives for good work is needed. In old days persons who had done good work in the cooperative field were considered for titles and various other rewards which the Government as well as its officers

could give. In the present context of things the scope for such rewards for good work particularly at the district level is very limited. It is, therefore, necessary to consider what incentives can be provided for good work. The following suggestions are made in this connection :

(*i*) There should be a system of giving certificates to persons who have done really good work in the cooperative field at all levels. Such certificates should be granted by the Prime Minister, the Union Minister for Cooperation, the Ministers for Cooperation in the States and Commissioners and Deputy Commissioners according to the value of the work done. Every six months or every year the cooperative officers in consultation with the district officers should make recommendations giving full details. Quotas may have to be fixed according to the volume of cooperative work in the district.

(*ii*) Cooperative development varies considerably from State to State and it would be very desirable if good cooperative workers from one district are sent to visit cooperative organisations in other parts of the same State as well as in other States. Such tours should be organised not only for the purpose of visiting cooperative societies but also for visiting places of historical and other importance. The entire expenditure for such visits should be borne by the State. Suitable persons on the basis of their cooperative work should be selected for such visits.

(*iii*) Every year the Government of India and State Governments send officials and non-officials to other countries for various purposes, *e.g.*, goodwill missions and study tours. Good cooperative workers who can benefit from such visits should be considered for selection. It may also be useful to send one or two teams of 3 to 5 non-officials to other countries to see cooperative work there.

(*iv*) Persons who have done good work for the cooperative movement should be given due consideration in making nominations to various bodies, *e.g.*, Indian Central Cotton Committee.

(*v*) There should be a system of competitions at all levels. These competitions should be for cooperatives of all types, *e.g.*, central banks, marketing societies, primary credit societies. Cash awards should be given to these societies on the basis of their record of performance during the previous year. A proper system for judging the work of cooperative organisations will have to be laid down.

19. The Conference of Ministers of Cooperation might consider the suggestions contained in this note.

AGENDA ITEM III.

Pilot Projects for expansion of cooperation credit :

No detailed note on this item of the Agenda is being circulated but a copy of the letter to the State Governments together with its enclosures is attached. The Conference may generally discuss the pilot projects and give its views particularly on the following points :

(*i*) Does the pilot project cover too large an area and would it be an advantage to reduce the number of villages and blocks covered by it ?

(*ii*) What should be the minimum programme of work that primary societies selected for the project should take up ?

(*iii*) Can the existing staff at the village and supervisory levels do all the work that is involved in the pilot project, particularly if the number of villages covered by the project is reduced ? If additional staff is considered essential, what should be the addition required and at what levels ?

(*iv*) It is hoped that with adequate production programme, provision of supplies and services, larger credit, obligation on the part of the borrower to market the produce through marketing societies which should be organised in large number, no financial assistance will be necessary for primary societies and central banks. If assistance is considered essential, what should be the quantum and nature of such assistance ?

(*v*) How should the cost of additional staff, if any, and financial assistance, if any, be shared between the Government of India and State Governments ?

COPY OF LETTER NO. F.1-13/59-CO-OP. I, DATED 16TH MAY, 1959, OF THE MINISTRY OF COMMUNITY DEVELOPMENT & COOPERATION (DEPARTMENT OF COOPERATION), NEW DELHI, TO ALL STATE GOVERNMENTS.

FROM :

SHRI M. R. BHIDE, I.C.S.,
Additional Secretary to the Govt. of India.

To

THE DEVELOPMENT COMMISSIONERS
of All State Governments & Union Territories.

SUBJECT : *Provision of credit for agricultural production plans at the village level.*

SIR,

Since the last meeting of the National Development Council the Department of Cooperation and the Planning Commission have been engaged in considering the arrangements which should be made for ensuring adequate finance for village agricultural production plans. It is felt that where there are programmes for intensive agricultural production there should also be adequate arrangements for ensuring that the funds needed are available. A note explaining the lines along which village agricultural production plans may be drawn up is enclosed.

2. The problem of providing credit for village agricultural production plans is complex and in preparing a suitable plan, the following considerations have to be kept in view :

(*i*) The idea of village agricultural production plans has been put forward over a number of years, but it has not yet assumed a concrete shape and the extension personnel and the people have not gained experience of its working. Extension work in agriculture has not yet come to the level of solving some of the practical problems of the individual farmer, especially the small farmer. In most areas supplies and their organisation are inadequate and the necessary finance has, generally speaking, not been available in adequate volume. It is necessary to train the village level workers and extension workers in drawing detailed plans of agricultural production and how to implement them.

(*ii*) In recent years, the cooperative movement, with the assistance of the Reserve Bank of India, has been able to provide progressively larger finance for agricultural cooperative societies. During 1957-58 about Rs. 95 crores were advanced by primary societies to their members. Difficulties in providing finance are experienced at two levels of the cooperative structure, namely at the level of the central bank and at the level of the village society.

(*a*) *Central Bank* : According to the rules made by State Governments, every Central Bank has a borrowing limit up to which it

grown. Credit of Rs. 60 per acre for irrigated land and Rs. 30 per acre for unirrigated land with suitable variations according to local conditions may be considered as reasonable. Larger amounts for special crops like sugarcane, tobacco or vegetables will be required. Each State should make a rough estimate of the total amount of credit which will be required by the cultivators in the villages in each block selected for this project. Cooperative agencies will, according to their normal rules, provide a part of it, while a part will be found by the members from their own resources. The difference would represent the amount that will have to be found as supplementary credit. It is estimated that for villages selected for the above programme, approximately Rs. 4 lakhs may have to be provided for each block.

8. In sanctioning loans for approved production plans, the co-operative society will naturally have to assure itself of repayment. One important measure in this connection is that the borrower must agree to market all his surplus produce through the village cooperative society and the marketing society of the area.

9. The above proposals are in the nature of pilot projects to be taken up as early as possible. Each State Government may draw up its own detailed schemes according to its experience and judgment and local conditions and after consultation with the Departments concerned and the State and Central Cooperative Banks. The important points to stress are that these projects have to be undertaken as a vital part of the community development programme and that finance should be provided only through the cooperative agency and to members of cooperative societies. For the purpose of the pilot projects, the Central Government will make the necessary funds available to the State Government who in their turn will advance funds to apex cooperative banks. The apex banks will make these funds available to the central cooperative banks of districts in which the pilot projects are located. The loan should be made available by the State Government to the apex bank at the same rate at which the latter is at present able to borrow from the Reserve Bank of India, that is, at 2% below the bank rate. The apex bank should agree to pass on this amount at the same rate which it is now charging for loans obtained from the Reserve Bank of India. The Central Government will lend money to the State Governments for this purpose at the normal rate, but will separately subsidise the State to the extent of difference between the normal rate and the rate at which State Governments will lend to apex banks. Since the Central Government's loans will mainly be used for the provision of short-term finance, it has been decided to treat them as being outside the annual plan allotments. These may be initially made by the State Governments from their balances and claimed from the Central Government quarterly. These loans will be repayable after 5 years and the first year's loan will operate in the nature of a revolving credit for the duration of the pilot projects, recoveries being used by the State Governments for further lending. It is appreciated that the amount likely to be utilised will be smaller because of the difficult organisational tasks involved and also because the cooperative agencies will themselves be able to provide a portion of the additional amount needed.

10. In this connection certain questions will arise which will have to be discussed by the State Government with apex and central banks. Some of them are mentioned below :

(*i*) Terms and conditions on which the State Governments will make the additional funds available to the apex banks and the latter to the central cooperative banks.

(*ii*) Central cooperative banks will be sanctioning loans to the primary societies in the normal course. A supplementary loan over and above the normal credit limits for additional finance required by the primary society to finance its members on the fuller scale envisaged above will have to be given by the central bank. For this purpose, special credit limits may have to be sanctioned by the appropriate authority to the primary society as well as the central co-operative bank. The procedure for sanction of such loans and the terms and conditions on which such loans will be made, have to be worked out.

(*iii*) The apex and central cooperative banks may raise the question of losses that may have to be incurred in connection with the supplementary loans given by them. Apart from the loans obtained from the Reserve Bank, apex and central banks borrow from depositors and the average borrowing rate therefore is considerably higher than the rate at which they borrow from the Reserve Bank. Central banks will charge from primary societies the same rate of interest on both the loans and therefore their margin in respect of the second loan will be larger than in respect of the first loan. It should, therefore, be possible for apex and the central banks to accept the responsibility for any losses that may be incurred in respect of the second loan.

(*iv*) As a rule the recoveries of central banks will be adequate to repay the normal loan from the apex bank as well as the supplementary loan made available under the scheme. In case of shortfall in recoveries the apex bank's normal loans should have the first priority.

11. In selected areas where pilot projects are undertaken it may, in view of the assurance of repayment which village production plans and cooperative marketing offer, be possible for cooperative banks to lend larger amounts than provided for under the existing rules. In this connection the State Governments should, in consultation with apex and central cooperative banks and the Reserve Bank, review the existing multiples on the basis of which the Central Banks advance money to primary societies. To the extent liberalisation of the existing multiples is achieved, central banks should be able to lend larger amounts to cooperative societies in the normal way, thus reducing the necessity of drawing upon the supplementary line of credit.

12. To sum up, the main feature of the scheme of production finance which is to be carried out on a pilot basis are :

(*i*) supply of credit through cooperative agencies;

(*ii*) linking of credit with production;

(*iii*) provision of credit for cultivators who cannot at present obtain credit from cooperative agencies or whose needs are not met adequately by cooperative agencies;

(*iv*) linking of credit with marketing; and

(*v*) arrangements for the State supplementing temporarily the resources available to cooperatives for the specific purpose of financing production plans.

13. State Governments are requested to consider the suggestions made in this letter and the enclosed note (Annexure I) and work out their own schemes and instructions for the pilot projects. They may make such adjustments as they consider appropriate. They will kindly take necessary action to implement these schemes as far as possible with effect from the coming khariff. Copies of the schemes drawn up by State Governments and the instructions issued by them may kindly be sent to the Departments of Community Development & Cooperation in the Ministry of Community Development & Cooperation, the Planning Commission and the Reserve Bank of India.

14. The object of the pilot projects proposed in this letter is to enable the Central and State Governments and the Reserve Bank of India to evolve a more complete scheme for assuring credit through cooperative agencies to all cultivators participating in village agricultural production plans. During the course of the next two or three months, senior officers from the Ministry of Community Development & Cooperation, Planning Commission and the Reserve Bank of India will together visit different States, exchange views with them and study the schemes prepared by them and the practical problems met with in their implementation.

Yours faithfully,
(Sd.) M. R. Bhide

ANNEXURE I

Organisation of Village Agricultural Production Plans

It is now recognised that agricultural production plans constitute the foundation of the effort to revitalise existing cooperative societies and to develop the cooperative movement on sound lines. This has to be the basic starting point. A stage has been reached when every one agrees that it is not possible to increase production to the level desired unless every cultivating family is brought into production plan. The question, therefore, arises how 50 to 60 per cent of the families in the villages who cannot obtain credit under the present rules are to be assisted. The approach under the community development programme is that every family will have a production plan for which it should be assisted. In other words the basis of the assistance is that there is a plan of production which provides the necessary assurance for repayment of the loan.

2. The problem, therefore, has two aspects. The first, with which this note is mainly concerned, refers to the steps needed for the preparation and implementation of production plans at the village level. The second relates to the provision of credit to supplement the credit at present available through the normal agencies so as to enable cultivators to fulfil their production plans. The supply of credit has to be fully linked with production plans in each village. Unless credit is assured it is not possible to arrange for a village production programme in which every family takes part. This is the greatest weakness at present.

3. In formulating proposals for achieving both objects the following considerations are fundamental:

(*i*) Membership in the primary cooperative society is a necessary condition for obtaining credit for production.

(*ii*) In villages in which production plans are organised all available credit is channelled through cooperative societies. However, this would not include distress taccavi loans given by State Governments.

(*iii*) To carry out a common programme of production there has to be a well-knit community whose members know one another and have a sense of social cohesion and of common interest and obligations, including those relating to discharge of customary obligations;

(*iv*) The village level worker has an important function. He will ordinarily have 4 to 5 cooperative societies to deal with and, with the help of the block development staff, he should assist the village in preparing a production plan, in organising the supplies needed for enabling them to fulfil the plan and assist the village cooperative in various ways.

4. It is envisaged that village agricultural production plans will be drawn up broadly on the following lines:

(*i*) In areas served by community development blocks the overall responsibility for drawing up agricultural production plans will lie

with the block extension teams and the block advisory committees. At the village level, this task will be undertaken by the village cooperative in consultation with the village panchayat and with the assistance of the village level worker. The cooperative society will prepare the production plan for its members, but it is implied that as early as possible all the families in the village will become members of the cooperative. In areas not yet served by community development blocks, the responsibility will be placed on the existing administrative agency. Both in a community development block and non-block areas, it should be the duty of technical officers at the district level to assist and guide block staffs in preparing agricultural plans.

(*ii*) It is not contemplated that agricultural plans are to be prepared for a block as a whole before village agricultural plans can go forward. While production plans are prepared for individual villages, the ordinary procedure in the block for seed distribution and other programmes should not be held up.

(*iii*) Initially, the supply of improved seed and of the fertilisers available for a block area are limiting factors which have to be taken into account in preparing production plans for individual villages. Where supplies are limited it is necessary to determine how they can be best distributed in the early stages. Apart from this limitation, the village agricultural production plan should be drawn up so as to ensure the participation of every family in it.

(*iv*) At the block level, the block extension team, with assistance from officials at the district level, should clearly determine the resources available under different programmes. These will include—

(*a*) allocations from the schematic budget of the community development block;

(b) allotments for minor irrigation and other agricultural schemes from the State Agricultural plans. Where the allotments under the State plan have not been divided between districts and blocks, the State Development Commissioner should arrange for such division; and

(*c*) short-term taccavi loans for fertiliser and seed and which are in addition to provisions under the plan.

(*v*) In drawing up the village agricultural plan, special emphasis should be placed on the following :

(*a*) production of improved seeds and green manure and organic manures needed;

(*b*) arranging for the distribution of the available seeds and fertilisers in kind;

(*c*) adoption of improved agricultural practices of soil conservation, dry farming methods, plant protection, etc.;

(*d*) efficient utilisation of the available irrigation facilities, including determined efforts for effecting economy in the use of water and increasing the area under multiple cropping;

(*e*) maintenance of existing minor irrigation works, maintenance and excavation of field channels, etc.,

(*f*) programme for new minor irrigation works, and

(g) programme for introduction of improved agricultural implements.

Some of these items of work require short-term finance, others medium-term finance. A few items require organisation rather than finance. Some activities under these heads may be of interest to the village as a whole, others may be of interest to a group of beneficiaries or to individual cultivators. The village agricultural production plan has to be prepared so as to stimulate effort on the part of all concerned.

(vi) At present cooperative agencies provide short-term finance and also medium-term finance to a limited extent. For sometime to come the larger source of medium-term finance will continue to be the taccavi loans advanced by State Governments under the Plan and the allotments provided in the community development budget. These provisions are being progressively increased and, as programmes develop additional funds are being made available through annual plans. It is expected that gradually these funds will also be channelled more and more through cooperative agencies.

5. Where village agricultural production plans are drawn up, it is necessary to make arrangements for ensuring that the funds needed are made available. In particular, it is necessary to supplement credit passing through the normal cooperative agencies—

(a) for cultivators who are not in a position to obtain their full requirements form cooperative agencies; and

(b) for small cultivators who are at present not members of cooperative societies and are, therefore, not eligible for loans from them.

ANNEXURE II

Tentative Distribution of Blocks and Villages-Pilot Projects

Name of State	Number of blocks for pilot projects	Number of villages @ 20 villages in a block	Probable loan at a maximum outlay of Rs. 4 lakhs per Block (Rs. in lakhs)
1. Andhra Pradesh	19	380	76
2. Assam	5	100	20
3. Bihar	22	440	88
4. Bombay	23	460	92
5. Kerala	6	120	24
6. Madhya Pradesh	17	340	68
7. Madras	13	260	52
8. Mysore	10	200	40
9. Orissa	10	200	40
10. Punjab	13	260	52
11. Rajasthan	9	180	36
12. Uttar Pradesh	30	600	120
13. West Bengal	13	260	52
14. Jammu & Kashmir	4	80	16
15. Union Territories			
*Delhi	1	20	4
Himachal Pradesh	2	40	8
Manipur	1	20	4
Tripura	1	20	4
Pondicherry	1	20	4
Total ..	200	4,000	800

ANNUAL CONFERENCE OF COMMUNITY DEVELOPMENT & COOPERATION AT MYSORE.

AGENDA ITEM NO. IV

Supplementary Plans for 1959-60

In our letter dated the 11th May, 1959, State Governments were requested to review their existing programmes in order to achieve the enhanced targets of cooperative development. It was suggested that supplementary plans of cooperative development for the period from July 1959 to March 1960 should be prepared immediately and sent to the Government of India before the 15th June, 1959.

2. Supplementary plans in respect of only one State were received before the 15th June, 1959. Supplementary plans from 4 or 5 other States have since then been received. It is hoped that before the Conference in Mysore, these plans will have been received from most of the States. The plans are being examined as they come in, and references will be made to the State Governments for clarification wherever necessary. If any outstanding points remain, it is hoped that opportunity can be taken of the Conference in Mysore for settling the points by discussion with representatives of State Governments.

3. The supplementary plan for the entire country can only be finalised after all the State plans are received and scrutinised. It is, however, useful to make an estimate as to what the order of the supplementary plans is likely to be in terms of physical targets and what financial provisions will be required in the Centre and in the States. In this note an attempt has been made to make such an estimate based on the existing position of the cooperative movement in the States and on the targets already set by the National Development Council and the Government in respect of some important activities. It must, of course, be clear that the supplementary plan for 1959-60 worked out below is at this stage purely tentative.

4. The annual plan for Cooperation, including centrally sponsored schemes, during 1959-60 formulated earlier this year as a result of discussions between the State Governments and Central Ministries envisaged a total outlay of Rs. 1,064.19 lakhs and Central assistance of Rs. 561.98 lakhs. The progress of outlay during the last three years is indicated in the following table :—

	Rs. in crores
Plan Provision for 1956-61	51·00
Expenditure in 1956-57	3·81
Expenditure in 1957-58	6·05
Revised Estimates for 1958-59	6·98
Programme for 1959-60	10·64

5. The Plan targets, estimated achievements during the first three years, physical targets aimed at in the original plan for 1959-60 and

those envisaged in the supplementary plans in important activities are indicated in the following table :—

	Plan targets	Estimated achievements during 1956-59	Original Plan targets for 1959-60	Supplementary Plan targets for 1959-60
1. Organisation of new village societies on the new pattern.	—	—	13,884 on old pattern.	20,000 in all on new pattern.
2. Reorganisation and revitalisation of existing village societies on the new pattern.	—	—	19,377 on the old scale of subsidy.	20,000 in all on the new pattern.
3. Organisation of Marketing Societies . .	1,900	1,065	414	200 more.
4. Construction of godowns by marketing Societies.	1,500	869	411	250 more.
5. Construction of rural godowns . .	4,000	2,246	672	500 more.
6. Organisation of processing societies . .	166	117	91	25* more. (*Capable of being raised to 50)

Additional provision has also to be made in the supplementary plan for the following other important items :

(a) Expansion of facilities for education of members of co-operatives so as to cover all the districts in the country by 1959-60 at the rate of one unit per district.

(b) Promotion and strengthening of non-official organisations at the level of blocks, district and State.

(c) Strengthening of departmental staff.

(d) Expansion of training facilities.

6. On the basis of these targets, it is estimated that the total outlay on account of the supplementary plans would be of the order of Rs. 450 lakhs, involving Central assistance of Rs. 355 lakhs. A statement showing the scheme-wise details of the supplementary plans and the Central assistance involved is enclosed. These estimates do not include schemes of cooperative farming, which will have to be formulated after decisions on the report of the Working Group on Cooperative Farming are taken.

7. On the basis of these estimates, the States will have to find from their own resources a sum of about Rs. 105 lakhs for the implementation of the supplementary plans. The balance of the estimated outlay will have to be found by the Government of India as loans and subsidies to the State Governments.

The Conference may consider the estimates made in this note in the light of the State Plans. The question how State Governments will find necessary ways and means for bearing their share of the expenditure may also be considered.

ESTIMATE

SUPPLIMENTARY PLAN FOR 1959-60

(Rs. in lakhs)

Name of the Scheme	Phyl. Tgts.	Total outlay	Estimated Central assistance		
			Loan	Grant	Total
(1)	(2)	(3)	(4)	(5)	(6)
Category 'B' Schemes					
1. *Subsidy to small-sized Socities*					
Subsidy @Rs. 300/- Rs. 120·00					
Add commitments of previous years Rs. 5·00	20,000 (N)	86·00	—	43·00	43·00 (includes provision for credit unions).
Rs. 125·00	20,000 (R)				
Deduct original provision Rs. 39·00					
Rs. 86·00					
2. Rural godowns @ Rs. 10,000 each	500	50·00	31·25	6·25	37·50
3. Additional Managerial Staff of Central and Apex Banks & Land Mortgage Banks	—	15·00	—	7·50	7·50
4. Primary Marketing Societies:					
(i) *New Societies:*					
(a) Share cap. contribution@ Rs. 25,000 each	200	50·00	37·50	—	37·50
(b) Godowns at Rs. 25,000 each ..	200	50·00	31·25	6·25	37·50
(c) Managerial staff @ Rs. 1,500 each	—	3·00	—	1·50	1·50
(ii) *Strengthening of existing Marketing Societies:*					
(a) Share cap. contribution @Rs. 5,000 each ..	100	5·00	3·75	—	3·75
(b) Godowns for existing Societies @ Rs. 25,000 each ..	50	12·50	7·80	1·56	9·36
5. *Apex & National Marketing Socs.*					
(a) Share capital contribution @ Rs. 50,000 each	21	10·00	7·5	—	7·50
(b) Addl. Godowns at Rs. 50,000 each ..	14	7·00	4·35	0·87	5·22

(*Rs. in lakhs*)

(1)	(2)	(3)	(4)	(5)	(6)
6. *Processing Cooperatives other than Sugar factories:*					
(*a*) Share capital contribution @ Rs. 50,000 each	25	12·50	9·37	—	9·37
(*b*) Godowns for Marketing-*cum*-Processing Societies @ Rs. 25,000	12	3·00	1·90	0·35	2·25
(*c*) Managerial subsidy ..	25	0·37	—	0·18	0·18
7. Addl. Departmental staff *add* 25% excess subsidy on account of original provision	—	50·00	—	25·00	25·00
8. Training & Education ..	—	—	—	58·00	58·00*
9. Supervising Unions, Distt. & State Unions (Tentative Provisions)	—	50·00	—	25·00	25·00
10. Coop. Sugar Factories ..	—	30·00	30·00	—	30·00
Total for category 'B' Schemes	—	434·37	164·67	175·46	340·13
Centrally sponsored Schemes.					
(*i*) Grants to AICU & CCCT and training of Block Level Cooperative Officers	—	15·00	—	15·00	15·00
Total Supplementary Plan ..	—	449·37	164·67	190·46	335·13

N:—New Organisation. R:—Revitalisation.—*On account of original provision.

AGENDA ITEM V

Formulation of a broad time-schedule for action in the States and the Centre

For implementing the new Co-operative policy it will be useful to determine priorities and work-out a broad time-schedule for action both in the States and the Centre. Very precise time-limits in a field like cooperation where the human factor is variable in its reactions is naturally difficult. Co-operation has developed in varying degrees in different States. The institutions that have grown up and the law and procedure that are followed are not the same everywhere and it is neither possible nor desirable to expect development exactly on the same lines everywhere; nor can the pace of development be uniform throughout the country. The progress made has to be watched periodically and modifications may have to be made in the programmes and time-schedules. Subject to all these factors, an attempt is made in the following paragraphs to list out, under two separate headings, items of work that should receive priority.

Work in the States

(*i*) Definite proposals for simplification of law and procedure have been commended to State Governments. There are no financial implications and as the work will be mostly done at the headquarters of the States, it will not interfere with the work in the field. State Governments should appoint committees before the end of August and get their reports by the end of November. It should be possible

for the State Governments to get the necessary legislation passed in another six months. The aim should be to get the new laws and the procedures enforced by the end of March 1960.

(*ii*) State Governments should immediately take up the question of reviewing the staff position and work out their likely requirements during the next three to five years. The review should be completed by the 30th September, 1959. All the additional staff will not be needed straightaway. The programme of appointing additional staff must therefore be phased over a period of three to five years. Action for recruitment and training must also be phased accordingly.

(*iii*) The organisation of supervising unions at the block or equivalent levels and federating them into district unions and State Unions must recieve the highest priority. State Governments should work out their detailed schemes in this connection by the end of this year and start implementing them as early as possible. The implementation will have to be spread over a period of time. The effort should be that no State should be without the basic structure at the end of three years from 1st of January, 1960.

(*iv*) Separate notes have been circulated on revitalisation and reorganisation of existing societies and organisation of new societies. It is necessary that the scheme for revitalisation and or reorganisation should be completed by 30th June, 1965. The organisation of new societies so as to cover all the villages and all rural families should be completed by 30th June, 1965.

(*v*) Marketing and processing requires very special attention. State Governments should complete the programme approved for 1959-60, as also the programme that will be approved as a supplementary plan for this year. Simultaneously a review of the existing position should be made and in the light of likely developments in agricultural production a new programme of work for 1960-61 onwards should be drawn up. The programme should provide for complete coverage of the country by the 30th June, 1965. The programme will naturally have to be phased out. A definite programme in the matter of associating marketing co-operatives in the scheme of State trading in foodgrains will also have to be drawn up by each State Government.

(*vi*) The question of cooperative farming has been referred to a Working Group and the actual work can start only after the group has reported and final decisions are taken. Meantime, State Governments should go ahead with organisation of co-operative farming societies wherever optimum conditions exist.

(*vii*) The Central Government have sent a letter on the 16th May, 1959, to the State Governments about pilot projects for supplementary finance for village agricultural production plans, in 200 blocks. The ceilings of expenditure for these projects during the year 1959-60 have also been given to them. No sanctions from the Central Government are needed, but the States are expected to send copies of their schemes. The State Governments should examine the implications early and communicate their decisions to the Government of India.

Work at the Centre

(*i*) With the Government of India's policy letter dated the 11th May, 1959, three enclosures were sent. In the main letter and in Annexure 'A', further communications were promised in respect of—

(*a*) financial assistance to cooperative farming societies;

(*b*) provision of additional finance for the larger membership envisaged; and

(*c*) training and education of members, non-officials, etc.

The communication about cooperative farming will have to wait till the Working Group has reported and final decisions are reached.

As regards additional finance for the larger membership envisaged, this requires very careful examination in consultation with the Reserve Bank of India, State Governments and State Cooperative Banks. The Government of India sent a letter on the 16th May, 1959 to the State Governments about some pilot projects in this connection and it will be sometime before these projects are started and experience gained. Considerable thought will have to be given to this very complex problem and it would be reasonable to suggest the end of 1959 for putting up some definite proposals.

As regards training facilities for non-officials and members of co-operative societies, etc., a scheme is at present under consideration and the Government of India have already written to the States asking them to prepare supplementary plans for 1959-60 on the basis of 180 additional district training parties. The scheme will be finalised by 1st August, 1959.

(*ii*) The question of separating the Central Warehousing Corporation and the National Cooperative Development and Warehousing Board requires early action. Action in this behalf has already been initiated and the matter is being placed before the Cabinet. It is the intention to get the bill through in the next session so that necessary action can be taken by the 1st of November.

(*iii*) The Central Committee for Cooperative Training is at present incharge of the College at Poona, 5 Regional Institutes and 8 Institutions for the training of cooperative block extension officers. The existing arrangements require to be reviewed with a view to extending the training facilities. The training facilities and the institutions also require considerable overhauling. For this purpose it is necessary to visit these institutions and make concrete proposals to the Central Committee for its consideration. Considering the other work in hand in the Ministry and very small number of officers available, this may not be achieved before March 1960.

(*iv*) Government consider cooperation as a suitable agency by which various problems particularly rural problems should be tackled. It is, therefore, essential that the country as a whole becomes cooperation conscious. Perhaps, the most effective way of doing so is to acquaint all school-going children with the basic principles of cooperation. It is, therefore, necessary that simple lessons in cooperation and cooperative methods should be introduced in the curricula at the primary, secondary and high school levels. Cooperation is at present one of the subjects for students taking their degrees in economics and

in commerce. Adequate emphasis on this subject is perhaps not given in most Universities. It is, therefore, essential that the University authorities should give more prominence and importance to this subject. Similarly, cooperation as a specialised subject for post-graduate studies should also be introduced everywhere. The importance of making the public cooperation-minded is obvious and needs no repetition. Action to formulate concrete proposals in this behalf has been initiated and it is hoped that by the end of October 1959, the Government of India should be in position to make definite suggestions to the Universities and State Governments.

(*v*) The Government of India have already on hand a programme for publishing cooperative literature and this work is expected to be completed according to schedule. An additional programme will, however, be necessary and this will be taken up in the beginning of 1960.

The Conference may consider the broad time-schedule enclosed with this note and indicate whether it may be commended to the States and Centre for action.

ACTION PROGRAMME RELATING TO COOPERATIVE DEVELOPMENT

I. *Action by State Governments & Union Territories*

S. No.	Particulars of Programme	Target date of completion of programme	Remarks
1.	Formulation of supplementary plan for 1959-60 and its submission to Central Government	15-6-1959	
2.	Formulation of a phased programme of revitalisation and reorganisation of existing village societies and establishment of new village societies so as to cover all villages and rural population	30-6-1959	
3.	Formulation of an expanded programme of cooperative marketing and processing societies so as to cover all Mandies	30-6-1959	
4.	Formulation of a phased programme for establishment of Block, District and State Unions	15-7-1959	
5.	To initiate action to simplify Co-operative Law and Procedure (including the appointment of a Committee for the purpose)	31-8-1959	
6.	Review of the position of the Departmental staff and formulation of a phased programme of recruitment and training	30-9-1959	
7.	Examination of scheme of pilot projects for provision of credit for Agricultural production plans at the village level	15-8-1959	
8.	Enforcement of new Cooperative Law	31-3-1960	
9.	Completion of the establishment of cooperative farming societies on experimental basis	30-6-1961	
10.	Completion of the programme of establishment of Block, District and State Union	31-12-1962	
11.	Completion of the programme of revitalisation and reorganisation of existing village societies	30-6-1963	
12.	Completion of the expanded programme of cooperative marketing and processing	30-6-1965	
13.	Completion of the phased programme of organisation of new village societies and enrolment of new members so as to cover all rural families	30-6-1965	

Action Programme Relating to Cooperative Development

II. *Action by Central Government*

Sl. No.	Particulars of Programme	Target date of completion of programme	Remarks
1.	Formulation of an expanded programme for training of non-officials through State Unions	1-8-1959	
2.	Communication of policy decisions to State Governments and Universities about introduction of cooperation in school and college curriculum	31-10-1959	
3.	Amendment of Agricultural Produce (Development and Warehousing) Corporations Act	1-11-1959	
4.	Finalisation of the pattern of organisation and financial assistance for cooperative farming and its communication to State Governments	31-10-1959	
5.	Formulation of proposals for expansion and overhauling of cooperative training centres	28-2-1960	

Agenda Item VI

Coordination between the activities of Cooperative societies and Block Development staff

The village agricultural programme is one of the most important aspects of Community Development and the success of the agricultural programme is dependent on maintaining an effective line for supply and services. It is essential to utilise the cooperative societies for this purpose. On the other hand, in carrying out the cooperative programme in rural areas the Community Development agency has to be fully utilised. That this inter-dependence has not so far been fully realised is clear from the following extract from the Fourth Evaluation Report (1957) :

"Evidently the project staff in all the areas have not been sufficiently oriented in regard to the importance of the cooperative agency in rural development. It must be added in fairness that in some cases cooperative societies themselves have not shown much enthusiasm for taking up this work".

In actual practice in most community development blocks the village level worker has been distributing such seeds and fertilisers as he can obtain, to individuals. Even when cooperatives have appointed distributors of fertilisers, they merely act as retail dealers and sell the fertilisers to members and non-members without any reference to a production programme. The project staff has not attempted to use the coopr ative society for preparing a production plan for its members and for estimating their requirements of credit, seeds, fertilisers and other production requirements.

The Block Extension Officers and the village level workers must come into the picture much more actively as an agency for the development of cooperation. The village cooperatives will help in formulating the production programme of its members and make arrangements for the necessary supplies and credit required to implement these programmes. The Agricultural Extension Officers and the village level workers must, therefore, guide and supervise in the preparation of such programmes and in assisting the societies in the various measures required for implementing the programmes.

Where no cooperative societies exist, steps will have to be taken by the village level worker and the Extension Officer for Cooperation to organise such societies. The National Development Council has suggested that before the completion of the first stage, there should be cooperative societies in every village within a block. This policy has to be implemented by the Block staff.

In order to achieve the above objectives the following steps may be considered :—

(*i*) All supply and services should be routed through cooperatives. This will relieve the Block staff of routine duties which should be done by the people themselves.

(*ii*) More intensive training in cooperation of all the block development staff, particularly the Block Development Officers, the Agricultural Extension Officer and the village level workers. So far as the village level workers are concerned, arrangements are being made to give more intensive training to new recruits. Those who are already trained may have to be given a refresher course on cooperation.

(*iii*) The village level worker will have to be asked to give the highest priority to agricultural production, panchayats and cooperatives.

(*iv*) The village level worker must assist the cooperative societies and their staff in every possible way and he should be their main contact with various development departments and other agencies. He should not, however, interfere in the day-to-day functioning of the society or persuade it to give or recommend loans against its better judgment or, in general, hamper the initiative of the members and directors of the cooperative.

(*v*) Cooperative societies should be represented on the Block Development Committees. The manner of such representation should be considered.

APPENDIX 'B'

Reports of the Sub-Committee as Adopted at the Plenary Session of the National Conference on Community Development & Co-operation

I—Implementation of Cooperative Policy—Consideration of important points arising out of the policy letter, dated the 11th May, 1959.

AGENDA ITEM I (*a*)

Functions of Service Co-operatives

The functions of village co-operatives as suggested in the agenda note were agreed to as for general application. The agenda note mentions that certain functions should not be taken up by village co-operatives. The Sub-Committee was of the view that there should be no absolute ban of this kind and that if conditions were favourable and the society well-established, it could take up some of these functions.

AGENDA ITEM I (*b*) (*i*)

Making membership of village cooperatives universal

The suggestions made in the agenda note were generally endorsed. With regard to the suggestion that persons who wanted to join co-operative marketing societies and land mortage banks must also be required to join the village cooperative, it was felt by some that there may be legal difficulties in this connection. Marketing societies had not yet reached the stage of development where their membership was considered a privilege and insistence of membership of a village co-operative may result in a number of producers keeping away from the marketing societies and this would not be desirable. There were a number of producers who only wanted long-term loans and if membership of the village cooperative was insisted upon, it may well result in their keeping away from both. Some members of the Committee expressed the view that the idea of universal membership was closely linked with the formulation and the implementation of village production plans and provision of adequate credit for such plans. After all, long-term as well as short-term loans could be repaid only from the produce of land and, therefore, the suggestions made in the note were not objectionable. The general view, however, was against the suggestion that membership of a village cooperative must be made compulsory for persons wanting to join marketing societies and land mortagage banks.

AGENDA ITEM NO. I (*b*) (*ii*)

Arrangements necessary for ensuring that all members whether they own property or not are able to secure loans on the basis of their production programmes

The Sub-Committee endorsed the various steps suggested in the agenda note for ensuring the provision of adequate credit on the basis

of production programmes. In regard to the suggestion that the loanee may be called upon to provide two sureties, a view was expressed that this might be dispensed with particularly when various safeguards such as a specific production programme, linking of credit with marketing and creation of a specific statutory charge on the crops, were being provided. The other view was that sureties would ensure proper supervision over the use of the loan. In doing away with mortgage of property for short-term loans, a radical change was being introduced in the lending practices of most co-operative societies and it would not be prudent to dispense with sureties at this stage. The general view was that the provision of sureties by the loanee should continue. It was not considered necessary that sureties should be owners of land. The question whether one or two sureties should be required would have to be decided by cooperative institutions.

Agenda Item No. I (*c*)

Provision of adequate finance to members of cooperative societies

1. This question is a very complex one and requires very careful examination by State Governments. The real problem was how individual members of primary societies can get adequate loans for their production programmes. There are certain rules regarding the credit limits of members and frequently adequate credit cannot be provided within these limits. It is, therefore, necessary to consider to what extent and in what manner such credit limits can be liberalised. The same problem arises in respect of primary societies *vis-a-vis* their central banks and in respect of central banks, *vis-a-vis* their apex banks. The question of liberalising the existing rules regarding the borrowing limits of central banks and apex banks requires careful consideration. In this connection, it is also necessary to examine the question of the credit limits of apex banks and central banks with the Reserve Bank. It was agreed that State Governments should examine the position and send detailed suggestions in this connection to the Department of Cooperation.

2. It was agreed that the methods now followed for fixing credit limits should be carefully examined and revised where necessary. Cooperatives must adjust themselves to the new order of things in which their activities must be closely linked with the wider community development activities. Central banks should work in close touch with District Community Administration with a view to assist in the implementation of the agricultural and other plans in their areas of operaiton. Credit limits should increasingly be based on village production plans and the efficiency with which they are implemented.

3. It was agreed that an expert committee be appointed and should examine the whole question in all its aspects and submit its recommendations to Government as early as possible.

Agenda Item No. I (*d*)

Strengthening the Co-operative Departments in the States

1. The Sub-Committee recommend that though the suggestion that the Centre and the States should divide the expenditure on a

50:50 basis is subsantially more favourable than the previous practice, in view of the tightness of the finances of the States something more than this will have to be found by the Centre if the scheme is to be properly implemented. It is suggested that for all the staff of the categories suggested in the Memorandum appointed from 1st April, 1959, onwards, the sharing of the expenditure may be on the basis now suggested, namely 50:50 and not only for the extra staff that is now to be appointed under the suplementary plan.

2. The suggestions for the yardstick for the various types of staff were considered by the Sub-Committee and the recommendations are approved subject to the following additions:

(*i*) In addition to the marketing expert, it may be necessary to appoint an expert for consumers co-operatives when the load of work under this branch of co-operation expands sufficiently in any State and particularly when the State-trading is made a regular pattern for the co-operative organisation.

(*ii*) The processing expert should deal with all co-operative processing industries.

3. There is an administrative advantage in making the jurisdiction of a divisional officer co-terminus with a revenue division wherever divisions exist in the States. It is, therefore, recommended that a divisional officer per revenue division may be the yardstick with the proviso that where the volume of work in any particular divisional area is more than 7,000 societies, there may be provision for an additional divisional officer. The Sub-Committee feel that the mere provision of a divisional officer will not help in disposal of work unless sufficient powers are delegated to this officer for final disposal of business.

4. Where more than one co-operative officer for a district is provided, the jurisdiction may be divided into independent charges or the senior officer in the district may be responsible for the district work as the State may decide.

5. The audit staff must be utilised purely for the purpose of audit and it is not desirable to load them with other supervisory functions. The yardstick of 40 primary societies—large and small together—for audit staff is acceptable on this basis.

6. The yardstick of one supervisor for 30 village societies is considered rather long. Both the Reserve Bank and Sir Malcolm Darling have recommended a yardstick of 25 societies per supervisor and the Sub-Committee would recommend acceptance of this yardstick of 25. The proposals have not provided for other types of societies like urban banks, housing co-operatives, etc. The Sub-Committee recommend that suitable and sufficient supervisory staff will have to be provided for these types of societies.

7. The Sub-Committee feel that there is not sufficient realisation yet of the importance of co-operative supervision in the grading of the staff of the Co-operative Departments in the States and in fixing

the status of the Registrar and his gazetted subordinates. The Sub-Committee would specifically draw the attention of the State Governments to the necessity of equating the scales and the status of the various officers to the responsibilities now expected of the officers occupying those posts.

AGENDA ITEM NO. 1 (e)

EDUCATION AND TRAINING

(i) Non-official workers at all levels

1. The Sub-Committee are of the opinoin that it is difficult to get non-official workers of the status of Presidents and Honorary Secretaries to come for a continuous course of 30 to 35 days. It is recommended that all members of the Managing Committee including the Presidents and Honorary Secretaries may be given a general training of ten days duration and Honorary Secretaries compulsorily and Presidents who may volunteer may be given a special course of training of a higher class for another period of 20 days. Subject to this observation, the proposals in para. 2 of the Memorandum are suitable.

2. The number of training centres now programmed for will not enable coverage of training of all the office-bearers and members of the co-operative societies and prospective members within a reasonable time. Large expansion of the programme has to be undertaken and the Sub-Committee recommend that immediate attention be paid to this matter.

3. A stipend of Re. 1 per day is reasonable. The Sub-Committee recommend that the training centres must be scattered widely so that no trainee has to go a very long distance from his village for the training. It is on this basis that it is felt that a stipend of Re. 1 per day will be sufficient. There have been some complaints about difficulty in realisation of their stipends by the trainees. It is also recommended that the State Governments may be given the responsibility squarely for paying the stipend to the trainees.

4. It was pointed out that approximately 180 more district training parties are going to be appointed before the end of the year 1959-60 and the number may be increased in the following year. It was anticipated that these parties would be in a position to complete the programme of training of members of managing committees, and secretaries of village societies in the course of the next seven or eight years. Education of members of co-operative societies would also be possible to some extent. It was, however, not possible to impart education to all members of co-operative societies through such parties and the work will have to be done in other ways. Members of the managing committees who have been trained by these parties should be able to do so to a large extent. Similarly, other workers, *e.g.*, village level workers and gram sahayaks who have been given training in co-operation should be able to help. A great deal could also be done by supervisors and others at the time of general meetings. General meetings of societies could be extended to one or two days and such opportunities should be taken to educate the members in their privileges as well as their responsibilities. It

was only in this manner that the task of educating 30 to 40 million memebrs throughout the country could possibly be handled.

(*ii*) *Departmental officials and employees of co-operative institutions*

1. The recommendations in paras. 6 to 8 of the Memorandum are approved.

2. The importance of the post of Registrars and the vital need to select suitable men and train them for this post was emphasised. It was recognised that the position in this respect in many parts of the country was at present extremely unsatisfactory. It was necessary to select for this post officers with initiative, energy and drive, give them some preliminary training in the Department and then appoint to junior posts for a period of two to three years. Only after that should they be appointed to the post of Registrar. Once appointed, they should be kept in that post for a sufficiently long period to be able to do really effective work.

3. It was also necessary that the emoluments and the status of the post of Registrar should be revised so that officers of ability and requisite seniority could be expected to remain in that post for a reasonably long period of time. In that connection, it was suggested that the post should in most respect be equated to that of a Secretary to Government.

4. It was realised that in many States on account of heavy work at headquarters and for other reasons, the Registrars were not in a position to visit societies in the rural areas on a large scale. It was necessary that they did so and for this purpose, the Registrar should be given additional staff at headquarters to look after the day-to-day administrative work, thus enabling him to spend a good deal of his time in touring in the countryside.

5. It was agreed that these questions should be taken up by the Department of Cooperation with State Governments for suitable action at an early date.

(*iii*) *Training of village level workers and other departmental staff*

The information that it is proposed to increase the period of training from 205 hours to 300 hours is noted. The Sub-Committee, however, feel that it is necessary now to give some in-service training to the village level workers who have not had the advantage of extended training especially in service co-operatives.

(*iv*) *Organisation of co-operatives at training centres*

Proposals are approved.

(*v*) *Cooperation in schools and universities*

The proposals are accepted.

(*vi*) *Training of party workers*

The general view was that there was no objection to Government assisting political, educational, philanthropic and other voluntary organisations in giving training in cooperation to their workers. Such organisations should organise their own camps and run them at their own cost. Government should assist them with instructors and

supply of literature. Care should be taken to see that departmental officers are only concerned with imparting training in cooperation.

AGENDA ITEM NO. I (*f*)

(1) *Revitalisation and reorganisation of existing societies in the years* 1959-60 *and* 1960-61;

(2) *Programme of organisation of new village societies in the years* 1959-60 and 1960-61.

The Sub-Committee agreed with the suggestions made in the agenda note. It also agreed that concentrated efforts are required to revitalise moribund and dormant societies. In regard to the question of Government subsidy, the Committee felt that very rigid standards should not be imposed at the very outset but that the continuance of the subsidy may be reviewed in the light of performance of the society in the first year or two.

2. In regard to the quantum of subsidy to village societies it was felt that the sum of Rs. 900 over a period of 3 to 5 years was inadequate and should be raised to Rs. 1,200.

AGENDA ITEM NO. I (*g*)

Co-operative Marketing

A. The marketing societies are finding a lot of difficulty in attracting a reasonable percentage of the trade of the produce of their own members and primary societies linked up with them. The following suggestions are made for improvement of the business operations of the existing marketing cooperatives; these are not comprehensive and a good deal of thought will have to be paid now by all concerned to find out why the societies are not working properly and what additional measures will have to be taken to set them on their feet :

(*a*) The marketing societies should make arrangements to advance to the agriculturist on the pledge of his produce a reasonable percentage of the value of the produce. As a normal rule, marketing societies should not make outright purchases of agricultural produce except in the cases of certain foodgrains which are covered by the scheme of State-trading in foodgrains. In those cases the marketing societies may purchase the produce from the producer at the price fixed by Government and immediately approach Government for reimbursement.

(*b*) Cooperatives must get priorities in transport.

(*c*) Preference should be given to cooperatives by Government departments buying from the open market items which can be supplied by the cooperatives.

(*d*) Some amount of compulsion for delivery of the produce on which loan has been taken seems necessary but this has to be looked into more closely as this may conflict with the credit expansion schemes of the primary societies.

(e) In the matter of export quotas preference should be given to cooperatives;

(f) Marketing societies should be linked up with cooperative processing and cooperative consumers' societies so that a protected channel is available for the marketing societies for competition with the open market.

(g) Where interim State-trading operations have been taken up, it is necessary that the price policy and the levy policy are so adjusted that the cooperatives are not put at a disadvantage.

2. On the specific points raised in paragraph 2 of the Memorandum, the Sub-Committee's views are as follows :

(a) There has been no difficulty in getting some kind of staff for the marketing cooperatives, but it is felt that for efficient operation managerial staff will have to be trained suitably or where the staff is not a minimum standards, the staff is replaced by suitable personnel preferably trained. The States should take advantage of the training facilities given by the Central Committee for Cooperative Training. It is understood that so far the States have not availed of the training facilities in full measure.

(b) For the stocks which the cooperatives are now handling there is no difficulty about funds. When operations expand the matter will have to be looked into again. The offer of the State Bank to help should go a long way in solving this problem.

(c) There has not been much difficulty so far in hiring suitable accommodation. In some States, difficulty is felt in construction of storage accommodation because of difficulty in getting controlled material for building like corrugated sheets and iron rods. There is also difficulty in getting land. These problems will have to be solved quickly.

(d) Marketing societies are at present represented on the regulated market committee to some extent, but this representation is generally inadequate and should be increased substantially.

(e) This has been dealt with in the general observations in the first part of this item.

(f) Though the Apex Societies have been taking some interest, it is desirable that they take their due place as the organisations to deal with inter-State trade and inter-District trade. In addition, it is desirable that there is some co-ordinating authority at the national level to help these apex societies to fulfil their obligations in the inter-State field by supply of information and putting through deals. It is suggested that the National Agricultural Cooperative Marketing Federation may take up this work.

B. The Sub-Committee make the following observations on the points raised :

(a) *and* (b) It was pointed out that in some States marketing societies were not able to get enough produce from the

cultivators as the prices they could obtain from the private traders were higher than the prices fixed by Government and by which the societies, as a general rule, were bound. This has not only affected the total turnover of the societies but also affected their ability to recover dues of primary societies. It was considered that this difference in prices was a matter for administrative action by the State Governments who must enforce their decisions regarding prices of commodities selected for State-trading in foodgrains.

(c) This is being attempted.

(d) This is being attempted.

C. (a) The difficulty faced in distribution of chemical fertilisers is the fixation of the sale price at Rs. 30 over the price at rail head. In some of the States this does not cover the cost of reaching the fertilisers to a place fairly close to the agriculturists village. In the result, various measures undoubtedly unhealthy are adopted to reach the fertiliser to the agriculturist. The Sub-Committee recommend that it is necessary for the Agriculture Ministry to review its policy and ensure a fair handling rate to the cooperative system for reaching the fertiliser to the consumer in the village.

(b) The Sub-Committee feel that for proper distribution of chemical fertilisers, the monopoly for distribution should be given to the cooperative organisations.

D. (a) The principle is accepted.

(b) The problem of marketing commodities whose prices fluctuate rapidly in the forward market, like cotton, jute, etc., require careful study and planning of operations.

Agenda Item No. I (*h*)

Cooperative Processing

The Sub-Committee's views on the points raised in the Memorandum are as follows:

(a) This requires more careful study. There is a reluctance on the part of the individual cultivator to merge his stock in the general pool. How reluctance can be got over and the pooling process introduced require careful study and can be examined usefully by a Research and Evaluation Team.

(b) Though some kind of managerial and technical staff have been found, it is considered necessary to have suitable training given to staff with basic qualifications and it is necessary to weed out those who have not got a reasonable basic qualification.

(c) It is understood that there is provision for participation in share capital of the processing cooperatives by the State to the extent necessary for raising share capital for fixed investments, like buildings and for part of the expenditure on fixed investments like machinery, but difficulty is found

in getting loan capital for the machinery from the State Finance Corporation. The Sub-Committee feel that unless priority attention is given by the State Finance Corporations to find loan capital for this purpose for the processing cooperatives, the scheme cannot go forward. It is also necessary to find on a priority basis machinery required.

(*d*) This is dealt with in additional item No. 4.

2. The Sub-Committee recommend that facilities which are given to purely processing cooperatives must also be given to the marketing societies which undertake processing operations. The help should be for the processing section of the marketing society on the same terms as for new processing cooperatives.

Item No. I (*i*)

Building up and strengthening of non-official organisations

The general concensus of opinion of the Sub-Committee was that it is not desirable at present to delegate the functions of registration and supersession to a non-official organisation.

2. The Sub-Committee recommend that the State Government should take early action to replace officials as Chairman of cooperative institutions by locally elected non-officials.

3. The Sub-Committee agree that supervisory unions can be established as proposed in the memorandum for the purpose of education, propaganda, organisation and training, but the Sub-Committee is firmly of the opoinion that it is not desirable at present to entrust supervision in regard to loans and the recovery of loans to supervisory unions where the system has not yet been introduced. Where this experiment has been tried, some difficulties have been found. The Sub-Committee recommend that the subsidies that have to be given to the district unions and subordinate unions be shared by the State and the Central Government on a 50:50 basis.

4. The proposal in para 13 of the Memorandum is approved.

Agenda Item No. II

Measures necessary for eradicating maladministration and inefficiency in cooperative organisations at all levels

The Sub-Committee endorsed the suggestions made in the agenda note. The practice in Andhra and Madras to have special staff for investigation into cases of embezzlement and for prosecution of such cases was considered salutary and it was suggested that this practice may be extended to other States. Some doubts were expressed that simplification of cooperative law and procedures may result in weakening the position of the departmental staff for preventing malpractices. It was pointed out that the specific suggestions with regard to changes in cooperative law and procedures that have been made in the Government of India letter of 11th May, 1959, actually contemplated grant of some additional powers to the Registrar for preventing such malpractices. It was agreed that non-official institutions, e.g., supervising unions and organisations at higher levels, should play an important role in improving efficiency and removing maladministration in the societies affiliated to them.

AGENDA ITEM NO. III

Pilot projects for expansion of cooperative credit

1. Some of the States have not examined the Pilot projects in detail in consultation with their Apex and Central Banks and therefore their representatives were not in a position to make definite suggestions. Some of the Registrars expressed the view that some kind of assistance in the form of grants or guarantees to Central Banks may be necessary. In one State, the Central Banks have been pursuaded to provide the finance required for the pilot project on the understanding that if the Central Banks suffer losses on this account, the State Government would assist them. As far as the question of primary societies is concerned, the question of assistance to them has not been considered in most States. As regards staff, it was generally felt that some additional staff would be necessary. The repersentatives of one State, however, felt that the pilot project should be carried out in his State on a smaller scale than envisaged and that the additional staff required would be found by readjustment. Broadly speaking, except for a few States, the State Governments have not yet examined the pilot project in detail and are not in a position to make definite suggestions. They were requested to go into the whole question and let the Government of India have their views in that connection.

2. Shri Ryan explained the position of the Reserve Bank of India in considerable detail. The points he made out are summarised below :—

(*i*) During 1958-59 the Reserve Bank of India had sanctioned credit limits to State Cooperative Banks to the extent of Rs. 68 crores. Most of the banks did not fully utilise the credit limits and on an average as much as Rs. 16 crores per month was not utilised by them. In the circumstances, there was really no need for the Central Government to offer additional funds to the extent of Rs. 8 crores. If other conditions are satisfied, the Reserve Bank could be in a position to make the necessary funds available.

(*ii*) The letter of the Government of India of the 16th May, 1959, suggested, that the primary society would utilise its normal funds for financing agriculturists on the present scale and that the funds that would be made availble by the Government of India would be for financing marginal and sub-marginal cultivators, who at present, are either getting no loans or getting inadequate loans from the primary societies. If this were correct, it would introduce double standards of lending in the societies and demoralise borrowers even to the extent that some of the borrowers would try and obtain loans from the funds given by the Government of India in the expectation that they might be dealt with on the same lines as taccavi loans usually are. If this happens, it would be a great danger to the cooperative credit structure.

(*iii*) The larger finance provided in this scheme was justified on the grounds that there would be proper production plans, supervision of the loans given for these plans and linking of production with marketing. In actual fact today, there were no proper production plans at the village level and all that was being done was distributing the available amounts of seeds and fertilisers over the blocks and

the villages. Until and unless a production programme was prepared for each cultivator, the primary society could not safely finance agricultural production on a much larger scale than is the case at present. As regards linking of credit with marketing, this was not being done on any scale. The number of marketing societies in the country was small, most of them were new and had hardly started the marketing of agricultural produce. Furthermore, there was another complication, because of the Government buying foodgrains through marketing societies at prices which were lower than the prices prevailing in the market. As a result of this, even members of cooperative marketing societies were taking their produce to private traders.

(*iv*) In these circumstances, the supplementary line of credit offered by Government was open to serious risk and no primary society would safely undertake to finance agriculturists whose repaying capacity was doubtful, unless it was guaranteed against loss. In the opinion of the Reserve Bank guranteeing the eventual loss was not enough and primary societies may not on the strength of such gurantees provide larger finance. It was therefore necessary that primary societies should be provided with bad and doubtful debts funds calculated as a percentage of the loans disbursed. The amounts required to create such funds should be contributed by the Government. These funds will be utilised only to write off losses with the permission of the Registrar.

(*v*) Full recoveries may not be made by primary societies and this would result in overdues from members. As a result, the Society may not be able to fully repay the Central Banks from the recoveries and there would be overdues of Central Banks. If these overdues are not cleared within the requisite period, the Central Banks may not find it possible to lend to the primary societies the next year, and if that happens the whole scheme will fail. It was therefore necessary that the overdues of Central Banks are cleared and for this purpose Government should pay the necessary amounts to the Central Banks. If and when the overdues are recovered Government can be repaid.

(*vi*) It was necessary that the agricultural production plans are prepared on sound lines and the utilisation of loans given is adequately supervised. It is also necessary that marketing of agricultural produce through cooperative societies is made effective. Societies will also have to be regularly audited. For all these things additional qualified staff would be necessary. Provision for such staff should therefore be made. If the necessary additional staff is appointed, the requisite guarantee to the Central Banks are given and suitable amounts given to primary societies in the form of bad and doubtful debt funds the Reserve Bank would be in a position to find all the additional credit required for the pilot project.

3. After considerable discussion the general view of the Sub-Committee was as follows :—

(*a*) The pilot project should be tried out on the scale envisaged as only then can it be proved that a cooperative society can under certain conditions provide adequate finance for agricultural production. It is necessary for each Government to examine whether the number of villages suggested to the State can be taken up. State Governments may reduce the number if they consider it necessary.

(*b*) To make the pilot project a success, it was necessary that the villages taken up for the project receive adequate technical assistance from qualified persons for preparing the plans and for supervising their implementation in various respects. Such staff should be provided either by readjustment from other areas or by addition to the existing staff. The pilot project covers a very small number of villages and the additional staff required will not be considerable.

(*c*) It must be clearly provided that there will be only a single line of credit to the borrower. The primary society will lend to its members the amounts required for their production plans and there will be no distinction between members as regards the source of the funds required to finance them. Similarly, the primary societies would get funds from only one source, *e.g.*, Central Banks, irrespective of the sources from which the Central Banks receive the money.

4. It was noted that the observations made by the representative of the Reserve Bank were important and raised a number of practical issues. It was agreed that nothing should be done which would detract from the character of the cooperative movement as a business movement or affect its solvency in any way, nor should the Reserve Bank give assistance to societies which cannot be justified on sound banking principles.

5. In this connection, it was felt that the contents of the production plans were of considerable importance. A reference was made to the Deputy Chairman's address to the Annual Conference on Community Development, 1959, in which certain definite proposals in this connection have been made. It was considered that production plans in the villages taken up in the pilot project should be worked out broadly on the lines indicated therein.

6. As regards guarantees and financial assistance, the view was that it was not necessary at this stage to make any definite provision in that respect. After the pilot project had been launched and experience gained for a year or two, this question could be examined. The Planning Commission and the Department of Cooperation should in consultation with the Reserve Bank and State Government do so.

7. It is proposed that the recommendations of the Sub-Committee, the views expressed in para 6 above, and the views of the Ministers' Conference and the recommendations of State Governments, when received, would be examined in consultation with the Reserve Bank of India and final decision reached by Government.

AGENDA ITEM No. IV

Supplementary plan for 1959-60

The facts stated in the agenda note were noted by the Sub-Committee.

AGENDA ITEM No. V

Formulation of a broad time-schedule for action in the States and the Centre

The broad time-schedules suggested in the agenda note were generally approved. The Sub-Committee also considered that in the

action programme for State Governments and Union Territories, there should be a programme for publishing co-operative literature in regional languages.

Agenda Item No. VI

Co-ordination between activities of co-operative societies and Block Development Staff

The Sub-Committee endorse the recommendations in items 1, 2, 3 and 5 of the Memorandum. The Sub-Committee do not think it desirable to utilise Village Level Workers as liaison agent between the Development Departments and the Co-operatives.

APPENDIX 'C'

NOTE OF SHRI SHRIMAN NARAYAN ON VILLAGE PRODUCTION PLANS

The essential features of the Pilot Projects for agricultural credit are :

(1) The village prepares an agricultural production programme on the basis of :

(*i*) full utilisation of irrigation facilities, including maintenance of field channels in good condition by the beneficiaries;

(*ii*) multiplication in the village of the approved seeds and the supply in kind to those who are not in a position to pay in advance;

(*iii*) adequate supply of fertilizers;

(*iv*) adequate provision of compost and green manures in the village; and

(*v*) contour bunding.

(2) The Community Development movement assists in the preparation and implementation of the production programme.

(3) Staffs may be found by readjustment of the existing staff or by employment of additional staff, where readjustment is not possible.

(4) The village agricultural production programme to be linked with cooperative marketing.

(5) Central Banks to advance adequate short-term and medium-term credit to the village cooperative societies on the basis of the production programme and other relevant factors, more especially advances for approved seeds and fertilizers.

(6) If, after making all these arrangements, it is found that the village cooperative societies cannot advance loans to certain cultivators, reasons for this should be investigated and remedial measures found in consultation with the Central Banks

(7) There should be closest cooperation at every stage between the Central Banks and the authorities of the Community Development in all these projects.

APPENDIX 'D'

Draft Terms of Reference for the Committee to Examine the Question of Relaxing Credit Limits

The working Group on Cooperative Policy in their Report raised the question of reviewing the existing credit limits of cooperative credit institutions in the context of the provision of adequate credit for a plan of agricultural production for each village and the marketing of agricultural produce through cooperatives. They recommended that the question be separately examined by the authorities concerned. In pursuance of this recommendation, the Government of India are pleased to constitute a committee with the following persons as members :

1.
2.
3. etc.

2. The committee should *inter alia* examine :

(*i*) (*a*) the existing standards for credit limits prescribed under the Cooperative Societies Act, Rules or the bye-laws of the societies in the different States and (*b*) their justification from the point of view of the principles of sound cooperative banking;

(*ii*) the loan policies and practices of cooperative credit institutions from the apex to the primary level in some of the cooperatively advanced States and other States not so advanced;

(*iii*) the working in community development blocks and in other areas of (1) a few representative societies which have (a) suffered losses in successive years, (b) got heavy overdues outstanding for more than two years, (c) repeatedly defaulted to the central banks, or (d) gone into liquidation; as also (2) of a few societies in different States which have a good record from the point of view of the following criteria, among others, *viz.*, (a) adequacy of credit, (b) coverage of families, (c) inclusion of the smaller farmers and tenants, (d) utilisation of loans for productive purposes, (e) recovery of loans, (f) repayment to the central financing agency, and (g) deposits and encouragement of thrift generally; and

(*iv*) the measures including State participation in share capital necessary for increasing the borrowing power of primary credit societies to the extent necessary in this connection; and, in the same context, the question of relaxing the existing standards for fixing credit limits, together with the extent of such relaxation, if any, and the conditions under which it should be effected.

3. In connection with this investigation, the committee should utilise existing data as far as possible; and, where necessary, visit the societies concerned and study their working;

4. The committee should submit its report within —— months.

APPENDIX 'E'

SUMMARY OF RECOMMENDATIONS OF THE CONFERENCE OF STATES MINISTERS OF COOPERATION AT MYSORE CITY ON THE 28TH & 29TH JULY, 1959.

I (*a*) *Functions of Service Cooperatives*

1. The primary functions of the village cooperatives will be the provision of short and medium term credit, supply of agricultural and other production requirements and collection of agricultural produce for sale through the marketing society. The village cooperatives may take up additional functions, if they so desire and if they are in a position to carry them out successfully.

2. Artisans will normally require separate societies covering one or more villages.

3. Activities calling for long term investment or involving trading risks and those in which a limited number of members are interested may normally be taken up by separate cooperatives.

I (*b*) (1) : *Making membership of village cooperatives universal*

1. Every person who wishes to join a village cooperative society should be enabled to do so. Wherever necessary, the cooperative laws, bye-laws, rules and regulations should be amended for this purpose.

2. Clear reasons should be recorded by the management of the society when membership is refused to any person. A right of appeal against such refusal should be provided.

3. Village artisans like blacksmiths and potters who cannot be organised into separate functional societies should be admitted as members of village cooperatives and given loans when necessary.

4. Definite incentives should be provided for expansion of membership. All State funds, services and supplies and other assistance available for rural areas may be routed through cooperatives only and the State should not deal direct with individuals.

I (*b*) (2) : *Arrangements necessary for ensuring that all members whether they own property or not are able to secure loans on the basis of their production programmes*

1. Short-term loans should be related to production plans of members and their repaying capacity and not to ownership of land or other property.

2. Rules and bye-laws should be changed so that mortgage of property is not insisted upon for giving short-term loans.

3. The ultimate responsibility for deciding whether a person should or should not get a loan should rest with the managing committee of a society but the managing committees must recognise their obligations towards the economically weaker persons in the village.

4. In order to minimise risks arising from extension of credit to weaker sections in the village the following steps are suggested :

(*i*) Every loan has to be related to a specific production programme;

(*ii*) provision has to be made in the bye-laws requiring every loanee to sell his surplus produce through the nearest marketing society;

(*iii*) The loanee may be called upon to provide sureties;

(*iv*) A specific statutory charge should be created on the crops for the short-term loans given;

(*v*) There must be close supervision over the use of the loan.

I (c) : *Provision of adequate finance to members of cooperative societies.*

1. Recognising that increased agricultural production in the immediate future would not be possible without larger credit to the cultivators and that any substantial increase in membership of co-operatives unaccompanied by the provision of adequate and timely credit would discourage new members from joining cooperatives, the Conference recommended that immediate steps should be taken to review the existing procedures for fixing credit limits of primary cooperative societies and Central Cooperative Banks so as to facilitate expansion of agricultural credit.

2. The problem is how to bridge the large gap between the requirements of credit by the cultivators and the potential resources of cooperatives to supply the credit. While in the final analysis agricultural credit societies will have to depend to a considerable extent on their owned resources and local deposits and on the loans they could borrow on the strength of their own resources, this is something which cannot be achieved immediately. Some other arrangements will have to be made for the intervening period. The problem has to be tackled on a more comprehensive basis and for the country as a whole. The Conference, therefore, recommended that an expert committee consisting of representatives of the Planning Commission, Departments of Cooperation, Agriculture and Community Development in the Government of India, Reserve Bank of India, State Bank, 2 or 3 representatives of State Governments and 2 or 3 representatives of non-official cooperative opinion to go into the whole question and make concrete suggestions as to how to expand credit for agricultural production on a considerable scale.

The question of State participation in the share capital of primary societies should also be examined by the Committee. The terms of reference to this Committee as recommended by the Conference are reproduced in Appendix 'D'. The recommendations of the expert Committee should be discussed with State Ministers of Cooperation before final decisions are taken.

I (d) : *Strengthening of the Co-operative Departments in the States*

Taking note of the fact that—

Co-operative Departments in many States are not adequately equipped with field and higher personnel for implementing the large

programme of Co-operative Development envisaged in the Second Five Year Plan and more recently by the National Development Council.

The Conference recommended that—

(a) State Governments should examine the staff position immediately and take steps to strengthen it at all levels.

(b) In working out the proposals an effort should be made to provide at headquarters of the Registrar functional specialists for important activities such as:

(i) marketing,

(ii) processing units, sugar factories and others,

(iii) statistics,

(iv) banking,

(v) industrial co-operatives,

(vi) consumers co-operatives.

(c) The following minimum scales may be adopted for providing field staff:

(i) One Divisional Officer for a minimum of 5,000 societies, with jurisdiction coterminus with a revenue division and with adequate powers for final disposal of work. Where there are more than 7,000 societies in a divisional area, an additional divisional officer may be provided.

(ii) One district co-operative officer for every 500 societies and an additional officer if the number exceeds 800.

(iii) An additional block level extension officer for co-operation if the number of societies in the block exceeds 100.

(iv) A supervisor for every 25 village societies and one for every 15 large sized societies.

(v) An auditor for every 40 primary societies (both large & small). Audit staff should not be loaded with supervisory functions.

2. The Conference also recommended that for improving the quality of staff and attracting good men to the Department:

(a) pay scales of staff should be comparable to scales prevalent in other Development Departments like Agriculture;

(b) Officers brought from other Departments should be given adequate training and should not be frequently transferred.

3. The Conference emphasised the importance of the post of Registrar and the vital need to select suitable men and give them adequate

training. Once appointed, the Registrar should be kept in his post for a sufficiently long period to be able to do really effective work. It is also necessary that the emoluments and the status of the post of the Registrar should be revised, so that officers of ability and requisite seniority could be expected to remain in the post for a reasonably long period of time.

I (*e*) : *Cooperative Education & Training*

(*i*) *Training of members and office-bearers*

1. Recognising that a vigorous nationwide training programme for non-official members and workers of co-operative societies is fundamental to the success of the movement, the conference welcomed the decision of the Government of India to accelerate the scheme for the training of members, office-bearers, etc. by extending it to 180 more districts in the year 1959-60 but felt that even this increased number of training centres will not adequately provide for the training of all the office-bearers and members and prospective members within a reasonable time. A larger expansion of the programme should be undertaken to ensure effective non-official participation in the movement.

2. The Conference also endorsed the recommendation of the plenary session of the Development Commissioners' Conference that all members of the managing committee including the president and honorary secretary may be given a general training of ten days duration. The honarary secretaries compulsorily and presidents who may volunteer may be given a special course of training of a more advanced nature for another period of 20 days.

3. The conference recommended that the training centres must be so located that no trainee had to go a long distance from his village to the training centre. In regard to the difficulties in the realisation of stipends by the trainees, the Conference endorsed the recommendation of the plenary session of the Development Commissioners' Conference that the State Governments should be responsible for paying the stipends to the trainees.

4. In the task of educating 30 to 40 million members throughout the country, the services of members of managing committees, village level workers and Gram Sahayaks who have already been trained in co-operation should be fully utilised. A great deal could also be done by supervisors and others at the time of general meetings. General meetings of societies could be extended by one or two days with a view to educating the members in their privileges as well as their responsibilities.

(*ii*) *Training of Departmental Officials and employees of Co-operative institutions.*

The Conference recommended that the programme for recruitment and training of staff should be planned at least one year ahead of the financial year for which the personnel was required so as to

ensure availability of trained and qualified men for the implementation of the expanded schemes of co-operative development.

(*iii*) *Training of village level workers and other departmental staff*

The conference endorsed the recommendation of the Development Commissioners' Conference that it is necessary to give some in-service training to the village level workers who have not had the advantage of extended training in service co-operatives.

(*iv*) *Organisation of co-operatives at various training centres*

The Conference recommended that for imparting to trainees practical knowledge as to how co-operatives function, every training centre for village level workers, Extension Officers, Block Development Officers and Co-operative Officers should have a co-operative society which might run the mess and supply consumer articles etc. The farms attached to these training centres should also be run on co-operative lines.

(*v*) *Co-operation in Schools and Colleges*

The Conference recommended that the subject of co-operation should receive greater attention in schools, colleges and universities and a programme for this purpose be formulated in consultation with appropriate authorities. Steps should be taken to prepare text-books on co-operation for school and college students.

(*vi*) *Training of party workers*

The general view was that there was no objection to Government assisting political, educational, philanthrophic and other voluntary organisations in giving training in co-operation to their workers. The responsibility for organising and running the training camps should be of the organisation concerned. Government may assist them with instructors and supply of literature and in the formulation of syllabus. Efforts should be made to see that only instructors from Training Institutions (but not departmental executive officers) are deputed for imparting training in such camps.

I (*f*) (1) : *Revitalisation and reorganisation of existing societies in the years* 1959-60 *and* 1960-61.

1. If the co-operative movement has to play its role in rebuilding the rural economy, it is necessary first to place the existing structure on a sound basis. In many States, revitalisation and reorganisation of existing societies have to take precedence over new organisation. This process should be completed by 30th June, 1963.

2. In order to ensure that the primary structure is sound, the Conference recommended that certain minimum tests should be laid down after taking into account the conditions prevailing in different areas. Suitable minima in regard to admission of new members, collection of fresh share capital and deposits, supply of production requirements, marketing of agricultural produce, etc., should also be fixed for achievement during each year for each society in order to be eligible for Government assistance. Continuance of such assistance during the Second and subsequent years should depend on the extent to

which these minimum standards have been achieved. Rigid standards should not, however, be laid down at the very outset.

I(f) (2) : *Programme of organisation of new village societies in the years* 1959-60 *and* 1960-61.

1. New Co-operative societies should be organised so as to ensure that before the completion of the first stage of the Community Development programme in any block, all villages have the necessary co-operative institutions. With this end in view, the target for the next two years should be :

1959-60	.. ..	20,000
1960-61	.. ..	30,000

2. The success of the programme will depend not only upon the availability of man-power and training facilities but also on non-official participation on a considerable scale. It should, therefore, be the endeavour to organise new societies on a popular basis and for this purpose to take the assistance of local political, charitable, philanthrophic, educational and service organisations wherever possible.

3. In order to ensure that the primary societies are organised on a sound and popular basis, it is necessary to apply certain minimum tests for satisfaction before new societies are set up. The tests may be such as that at least a minimum proportion, say 25 per cent of the families in the village or 50 persons whichever is higher should come forward to join the society, that each member should subscribe a minimum share capital and pay up a minimum first instalment and agree to pay the rest within a period of say about five years.

4. In regard to the organisation of new large-sized societies, the target of 10,400 large-sized societies included in the Second Five Year Plan was intended to cover only 50,000 to 60,000 villages in all. As against this, the 6,300 societies organised during the first three years covered about 75,000 villages, thus completing the coverage of villages originally envisaged. It was, therefore, agreed that there should not be any more organisation of new large-sized societies. It was, however, decided that the societies which have already been organised should be carefully nurtured and that every effort must be made to make them successful. Evaluation of their work should take place from time to time and the existing policy could be reviewed, if necessary, in the light of such evaluation.

I(*g*) : *Co-operative Marketing*

The State Ministers' Conference endorsed the following suggestions made by the plenary session of the Development Commissioners' Conference for improvement of the operations of the marketing co-operatives :

(*a*) The marketing societies should make arrangements to advance to the agriculturists on the pledge of his produce a reasonable percentage of the value of the produce. As a normal rule, marketing societies should not make outright purchases of agricultural produce except in the cases of

certain foodgrains which are covered by the scheme of State-trading in foodgrains. In those cases the marketing societies may purchase the produce from the producer at the price fixed by Government and immediately approach Government for reimbursement;

(b) Co-operatives must get priorities in transport;

(c) Preference should be given to co-operatives by Government departments buying from the open market items which can be supplied by the co-operatives;

(d) Some amount of compulsion for delivery of the produce on which loan has been taken seems necessary but this has to be looked into more closely as this may conflict with the credit expansion schemes of the primary societies;

(e) In the matter of export quotas preference should be given to co-operatives;

(f) Marketing societies should be linked up with co-operative processing and co-operative consumers' societies so that a protected channel is available for the marketing societies for competition with the open market;

(g) Where interim State trading operations have been taken up, it is necessary that the price policy and the levy policy are so adjusted that the co-operatives are not put at a disadvantage;

(h) The States should take full advantage of the training facilities in marketing given by the Central Committee for Co-operative Training. It is understood that so far the States have not availed of the training facilities in full measure;

(i) For the stocks which the co-operatives are now handling there is no difficulty about funds. When operations expand the matter will have to be looked into again. The offer of the State Bank to help should go a long way in solving this problem;

(j) While there has not been much difficulty so far in hiring suitable accommodation, the marketing societies in some States experienced some difficulty in getting controlled building material like corrugated sheets and iron rods and also in getting suitable land. These problems will have to be solved quickly;

(k) Marketing societies are at present represented on the regulated market-committee to some extent, but this representation is generally inadequate and should be increased substantially not only as producers organisations but also as traders;

(l) Though the Apex societies have been taking some interest it is desirable that they take their due place as the organisations to deal with inter-State trade and inter-District trade. In addition, it is desirable that there is some co-ordinating authority at the national level to help these apex societies

to fulfil their obligations in the inter-State field by supply of information and putting through deals. It is suggested that the National Agricultural Co-operative Marketing Federation may take up this work;

(m) It was pointed out that in some States marketing societies were not able to get enough produce from the cultivators as the prices they could obtain from the private traders were higher than the prices fixed by Government and by which the societies, as a general rule, were bound. This has not only affected the total turnover of the societies but also affected their ability to recover dues of primary societies. It was considered that this difference in prices was a matter for administrative action by the State Governments who must enforce their decisions regarding prices of commodities selected for State-trading in foodgrains;

(*n*) The difficulty faced in distribution of chemical fertilisers is the fixation of the sale price at Rs. 30 over the price at rail head. In some of the States this does not cover the cost of reaching the fertilisers to a place fairly close to the agriculturist's village. In the result, various measures undoubtedly unhealthy are adopted to reach the fertiliser to the agriculturist. It is necessary for the Agriculture Ministry to review its policy and ensure a fair handling rate to the co-operative system for reaching the fertiliser to the consumer in the village;

(*o*) For proper distribution of chemical fertilisers, the monopoly for distribution should be given to the co-operative organisations;

(*p*) The problem of marketing commodities like cotton, jute, etc. whose prices fluctuate rapidly in the forward market require careful study and planning of operations.

I (*h*) : *Co-operative Processing*

The conference endorsed the following observations made by the plenary session of the Development Commissioners' Conference :

(*a*) The question of marketing techniques that should be adopted by processing co-operatives requires very careful study. There is a reluctance on the part of the individual cultivator to merge his stock in the general pool. How this reluctance can be got over and the pooling process introduced require careful study and can be examined usefully by a Research and Evaluation Team;

(*b*) Though some kind of managerial and technical staff have been found, it is considered necessary to have suitable training given to staff with basic qualifications and it is necessary to weed out those who have not got a reasonable basic qualification;

(*c*) While there is provision for participation in the share capital of the processing co-operatives by the State to the

extent necessary for raising share capital for fixed investments, like buildings and for part of the expenditure on fixed investments like machinery, difficulty is found in getting loan capital for the machinery from the State Finance Corporation. Unless priority is given by the State Finance Corporations to find loan capital for this purpose for the processing co-operatives, the scheme cannot go forward. It is also necessary to find on a priority basis the machinery required;

(*d*) Facilities which are given to purely processing co-operatives must also be given to the marketing societies which undertake processing operations. The help should be for the processing section of the marketing society on the same terms as for new processing co-operatives.

I(*i*) *Building up and strengthening of non-official organisations*

The Conference recognised that—

(*i*) the Co-operative Movement must not only be voluntary but also be popular and broad based and to the maximum extent possible, organised and run by the people themselves;

(*ii*) the expectation that, in course of time, the co-operators would themselves assume increased responsibility for organisation of the movement has not been realised in many parts of the country so far; and

(*iii*) in some areas, further and far-reaching powers have been conferred on the Registrar;

And therefore recommended that—

(*a*) Government should render assistance in future to co-operatives without taking away from them their essential popular character;

(*b*) Government should adopt positive steps to foster initiative of and participation by non-officials for this purpose. While continuing to perform the statutory tasks, it should delegate certain functions, to non-official organisations at State or lower level in areas where sound non-official organisations exist or can be built;

(*c*) action should immediately be taken to replace officials as chairman of co-operative institutions by locally elected non-officials;

(*d*) apart from the statutory functions, other functions especially those relating to education, training and organisation should be entrusted to non-official organisations;

(*e*) unions should be established throughout the country for undertaking this function and a phased programme for setting them up should be formulated. The basic unit for the unions should be a community development block; there should also be district unions and State unions;

(f) as conditions differ from State to State and the stage of development varies considerably, the existing arrangements for supervision in regard to loans, recoveries, etc. should not be disturbed without very careful consideration.

II. *Measures necessary for eradicating maladministration and inefficiency in co-operative organisations at all levels.*

The Conference Recognising—

(a) the need for raising the standard of efficiency of co-operative organisations and preserving the integrity of the movement in the context of the large programme of co-operative development; and

(b) the need to guard the movement against the growth of spurious co-operatives, unhealthy trends in the working of co-operatives and mismanagement of their affairs;

Endorsed the following suggestions—

1. To stem the growth of spurious co-operatives :

(a) clear and detailed instructions should be issued by Government regarding the basic features which should govern the registration of various types of societies. The Co-operative Societies Act may also be amended to empower the State Government to determine what constitute co-operative principles.

(b) Registering authorities should be diligent in scrutinising the applications for registration without, however, delaying registration of genuine societies.

(c) In regard to the existing spurious co-operatives action be taken to :

(i) cancel their registration and/or

(ii) deny aid from State and other institutions.

(d) Prompt and adequate supervision and audit should be ensured to create healthy trends.

2. To remedy the defects arising out of mismanagement of affairs of co-operative societies :

(a) Audit staff wherever necessary should be strengthened;

(b) Prompt action should be taken to secure deterrent punishment to the delinquents. To ensure this, it is necessary that—

(i) a small cell be created in the Registrar's office to look after this work;

(ii) a junior Co-operative Officer be posted in districts to look after this work.

(c) The Committee constituted by the State Government for simplification of co-operative law, procedures, etc., should suggest measures for remedying defects regarding maladministration, growth of spurious co-operatives, etc

The Conference also recommended that non-official institutions, *e.g.*, supervising unions and organisations at higher levels, should play an important role in improving efficiency and removing maladministration in the societies affiliated to them. It was also agreed that, besides taking the above preventive and remedial measures, the following positive steps should be taken to encourage good work by societies and individuals :

(*i*) A system of cash awards to all types of co-operatives should be introduced.

(*ii*) Certificates of merit by men in authority and important positions should be awarded to good co-operatives and co-operators.

(*iii*) Study tours at the cost of the State be sponsored for selected co-operators.

(*iv*) Outstanding workers in co-operatives should be included in goodwill missions and study teams proceeding abroad.

(*v*) Good co-operators should be nominated to various bodies, *e.g.*, Central Cotton Committee.

III. *Pilot Projects for expansion of Co-operative Credit*

Recognising that as a result of the production programmes that are now intended to be prepared, the credit-worthiness of the village co-operatives and their members would increase, the Conference recommended that the Central Banks should sympathetically consider the question of making increased amounts available to them. The Conference also emphasised that there should be only one line of credit and that the Government of India's letter of the 16th May, 1959, should be revised in the light of this decision. The State Governments should, however, go ahead with the selection of villages for the pilot projects and the preparation of production plans.

IV. *Supplementary Plans for* 1959-60

The Conference recommended that the Supplementary Plans of all the States and Union Territories for the year 1959-60 should be finalised in consultation with the Government of India and others by the end of August, 1959.

V. *Formulation of a broad time-schedule for action in the States and the Centre.*

The Conference while generally approving the broad time-schedule indicated in Annexure I endorsed the suggestion made by the Development Commissioners' Conference that in the action programme for States and Union Territories there should be a programme for publishing co-operative literature in regional languages.

VI. *Coordination between the activities of co-operative societies and block development staff.*

The Conference endorsed the following recommendations made in this behalf by the Development Commissioners' Conference :

(*a*) All supplies and services should be routed through co-operatives. This should relieve the block staff of duties

which the peoples' organisations should themselves undertake.

(*b*) More intensive training in co-operation should be given to all block development staff, particularly the Block Development Officer, Extension Officer (Agri) and the Village Level Worker. Those who are already trained should be given a refresher course in co-operation.

(*c*) The Village Level Worker should be asked to give the highest priority to agricultural production, panchayats and co-operatives.

(*d*) Co-operative Societies should be represented on the Block Development Committees. The State Governments should work out the manner of ensuring such representation with reference to local conditions.

ANNEXURE 1

FORMULATION OF A BROAD-TIME SCHEDULE FOR ACTION IN THE STATES AND THE CENTRE

I. *Action by State Government and Union Territories*

S. No.	Particulars of Programme	Target date of completion of programme.	Remarks
1.	Formulation of supplementary plan for 1959-60 and its submission to the Central Government	15-6-1959	
2.	Formulation of a phased programme of revitalisation and reorganisation of existing village societies and establishment of new village societies so as to cover all villages and rural population	30-6-1959	
3.	Formulation of an expanded programme of cooperative marketing and processing societies so as to cover all mandies	30-6-1959	
4.	Formulation of a phased programme for establishment of Block, District and State Unions	15-7-1959	
5.	To initiate action to simplify Cooperative Law and Procedure (including the appointment of a Committee for the purpose)	31-8-1959	
6.	Review of the position of the Departmental staff and formulation of a phased programme of recruitment and training	30-9-1959	
7.	Examination of scheme of pilot projects for provision of credit for Agricultural production Plans at the Village level	15-8-1959	
8.	Enforcement of new Cooperative Law	31-3-1960	
9.	Completion of the establishment of cooperative farming societies on experimental basis	30-6-1961	
10.	Completion of the programme of establishment of Block, District and State Unions	31-6-1962	
11.	Completion of the programme of revitalisation and reorganisation of existing village societies	30-6-1963	
12.	Completion of the expanded programme of cooperative marketing and processing	30-6-1965	
13.	Completion of the phased programme of organisation of new village societies and enrolment of new members so as to cover all rural families	30-6-1965	

II. *Action by Central Government*

S. No.	Particulars of Programme	Target date of completion of programme.	Remarks
1.	Formulation of an expanded programme for training of non-officials through State Unions	1-8-1959	
2.	Communication of policy decisions to State Governments and Universities about introduction of cooperation in school and college curriculum	31-10-1959	
3.	Amendment of Agricultural Produce (Development and Warehousing) Corporations Act	1-11-1959	
4.	Finalisation of the pattern of organisation and financial assistance for cooperative farming and its communication to State Governments	31-10-1959	
5.	Formulation of proposals for expansion and overhauling of cooperative training centres	28-2-1960	

APPENDIX 'F'

LIST OF INVITEES TO THE CONFERENCE

I. States' Ministers of Cooperation*

1. Nawab Mehdi Nawaz Jung, Andhra Pradesh.
2. Shri Moinulhaque Chaudhury, Assam.
3. Shri Jagat Narain Lal, Bihar.
4. Shri T. S. Bharde, Bombay.
5. Shri Shamas-ud-din, Jammu and Kashmir.
6. Shri V. R. Krishna Iyer, Kerala.
7. Shri Ganesh Ram Anant, Madhya Pradesh.
8. Shri B. D. Jatti, Chief Minister, Mysore.
9. Shri Mali Mariappa, Mysore.
10. Mrs. Lilavati Maghadi, Deputy Minister for Rural Industries, Mysore.
11. Shri Radhanath Rath, Orissa.
12. Shri Gurbanta Singh, Punjab.
13. Shri Nathuram Mirdha, Rajasthan.
14. Shri Mohanlal Gautam, Uttar Pradesh.
15. Shri Chitaranjan Ray, Deputy Minister for Cooperation, West Bengal.

*The Ministers were accomapanied by the Development Commissioner, Secretary in charge of Cooperation and the Registrar of Cooperative Societies.

II. Government of India

(*a*) *Planning Commission*

1. Shri V.T. Krishnamachari, Dy. Chairman.
2. Shri C. M. Trivedi, Member.
3. Shri Shriman Narayan, Member.
4. Shri S. N. Misra, Deputy Minister.
5. Shri Vishnu Sahay, Secretary.
6. Shri Tarlok Singh, Additional Secretary.
7. Shri S. V. Ramamurthy, Adviser.
8. Shri M. S. Sivaraman, Adviser.
9. Shr Nawab Singh, Adviser.
10. Shri V.K. Rao, Adviser.

(*b*) *Ministry of Home Affairs*

Shri Datar Singh, Additional Secretary.

(*c*) *Ministry of Food and Agriculture*

Shri J. V. A. Nehmiah, Extension Commissioner.

(*d*) *Ministry of Community Developnent and Cooperation*

1. Shri S. K. Dey, Minister.
2. Shri B. S. Murthy, Deputy Minister.
3. Shri Shyam Dhar Misra, Parliamentary Secretary.
4. Shri B. R. Tandon, Secretary.
5. Shri M. R. Bhide, Additional Secretary.
6. Shri B. Mukerjee, Joint Secretary.
7. Shri A. S. Naik, Joint Secretary.
8. Shri G. D. Goswami, Deputy Secretary.

9. Shri S. S. Puri, Deputy Secretary.
10. Shri N. Kaul, Deputy Secretary.
11. Shri M. P. Bhargava, Additional Cooperation Commissioner.

(e) *Ministry of Finance*

Shri R. Ramaswamy, Assistant Financial Adviser.

III. Union Territories

1. Shri P. C. Saxena, Registrar of Cooperative Societies, Himachal Pradesh.
2. Shri T. Kipgen, Development Secretary, Manipur.
3. Captain Rao, Registrar of Cooperative Societies, NEFA.
4. Shri Pushparaj, Registrar of Cooperative Societies, Pondicherry.
5. Shri N. M. Patnaik, Chief Commissioner, Tripura.
6. Shri H. S. Botalia, Registrar of Cooperative Societies, Tripura.

IV. Reserve Bank of India

1. Shri H. V. R. Iyengar, Governor.
2. Shri B. Venkatappaiah, Deputy Governor.
3. Shri J. C. Ryan, Chief Officer, Agricultural Credit Department.

V. State Bank of India

Shri B. P. Patel, Managing Director.

VI. National Cooperative Development and Warehousing Board

1. Shri Tarapado Chaudhury, Member.
2. Shri G. Parameswaran Pillai, Member.
3. Shri R. C. Saraiya, Member.
4. Shri B. M. Chitnis, Secretary.

VII. Central Committee for Cooperative Training

Prof. D. G. Karve.

VIII. All-India Khadi and Village Industries Commission

Shri V. L. Mehta, Chairman.

IX. National Agricultural Cooperative Marketing Federation

Shri P .S. Rajagopal Naidu.
Shri G. L. Casewa.

X. Working Group on Cooperative Farming

1. Shri S. Nijalingappa, Chairman.
2. Shri Gurbaksh Singh, Member.
3. Shri Ameer Raza, Member.
4. Shri V. M. Jakhade, Member.
5. Dr. J. S. Patel, Member.
6. Dr. Ram Subhag Singh, Member.
7. Shri B. D. Pande, Member
8. Dr. A. U. Sheikh, Member.
9. Shri V. K. Rao, Member.
10. Shri M. P. Bhargava.

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